Impact Investing for Charter Schools

Current Landscape and Strategies Moving Forward

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CHARTER SCHOOL FACILITY CENTER

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Executive Summary

Accessing affordable capital to secure and develop school facilities has become one of the biggest barriers to charter school growth. While several reasons account for this decline – including government policies that limit their access to school district facilities, challenges securing favorable financing (leases and purchases) from private funders, limited affordable real estate options or political backlash – facilities investment is both under-funded and critically needed for charter schools and charter management organizations.

That said, charter schools have been receiving investments of one kind or another since their inception from private, public and nonprofit providers. Investments have primarily included debt for facilities (supported through public funds and incentives) and philanthropic grants for equity, programs and operations. Much of the early debt financing and funding gap has been provided by community development finance institutions (CDFIs), philanthropists and specialized lenders. Indeed, the work of these pioneering financial providers in developing the marketplace paved the way for more investments from mainstream banks and private lenders (short-term debt) and the tax-exempt bond market (long-term debt).

After twenty-five years, charter schools have built a stronger 'investment' story, including low default rates, improved risk assessments, a deeper understanding of challenges and best practices for sustainable business models. Indeed, similar to investments in other sectors within 'community investments' (such as affordable housing, small businesses and healthcare facilities) investments in charter schools should be included with these precursors of what we now call 'impact investments'. And yet often charter schools are not clearly identified as a part of this rapidly emerging impact investment marketplace.

This needs to change. Impact investing has grown four-fold in the past four years as investor appetite for options that produce economic, social and environmental impact continues to expand. While impact investing in education currently represents approximately 4% of total impact capital (approximately $500 billion in 2019), it is continuing to increase, with early research demonstrating the investment areas of interest, types of capital and ways it is often deployed.

Accessing affordable capital to secure affordable school facilities has become one of the biggest barriers to charter school growth

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The goal of this analysis is to inform the charter school community about the size, diversity and growth of the impact investing marketplace, review the current investing landscape for charter school financing, recommend strategies for how schools might increase access to much-needed capital, and demonstrate the case that charter school financing is, and should be, included as an 'impact investing' strategy in the broader education sector.

- ***First***, the charter school community (schools, supporters and funders) needs to better identify, prioritize and position the diversity of financing needs for charter schools. Charters should identify and strategically promote their full spectrum of investment opportunities, utilizing the broader frameworks, language, and impact measures and standards that impact investors are increasingly incorporating. Charter schools have the opportunity to explore ways of telling their investment story and educating investors.

The goal of this analysis is to inform the charter school community about the size, diversity and growth of the impact investing marketplace, review the current investing landscape for charter school financing and recommend strategies for how schools might increase access to much-needed capital

- ***Second***, the charter school community should evaluate investor trends (philanthropic and impact investing) to better identify or create opportunities. Charter schools need to participate with impact investing groups to learn how investors and philanthropists are finding opportunities for impact investing. They can then design their funding strategies accordingly. This could include opportunities to develop place-based strategies, develop diverse portfolio opportunities, create new funds, develop other products or create new investment platforms.

- ***Third***, the charter school community should collaborate to strengthen its ecosystem by identifying and expanding community connections, joining network communities and membership groups (e.g. Mission Investors Exchange, Global Impact Investors Network, Impact Management Project, etc.), leveraging existing collaborations and convening connectors to learn about charters and participating in advocacy efforts.

Through this approach, charter schools have the opportunity to join the ever-growing landscape of impact investing opportunities that provide demonstrable impact and attractive risk-adjusted rates of return.

Introduction: Impact Investing

The term "impact investing" was coined by a group of investors, entrepreneurs and philanthropists who gathered for a 2007 convening, led by the Rockefeller Foundation, to explore the increasing interest in investments generating social and environmental value as well as financial return.[1] Impact investing builds on a long tradition of socially responsible investing, which has deep roots in faith-based communities, and has evolved significantly in the past forty years – moving from negative screening and dis-investment to proactively investing in options producing "impact".

The GIIN defines impact investments as "investments made into companies, organizations, and funds with the intention to generate positive, measurable social and environmental impact alongside a financial return"

After that initial gathering, the Rockefeller Foundation committed millions towards a new "impact investing initiative" to help build this emerging industry. Their initiative, supported by others, led to further convenings, field building research, an industry call to action[2], and dedicated support to create the first global network focused on developing, championing and advocating for a thriving impact investing marketplace. Launched in 2009, the Global Impact Investing Network (the GIIN) is today recognized as the global leader of this emerging marketplace.

The GIIN defines impact investments as "investments made into companies, organizations, and funds with the intention to generate positive, measurable social and environmental impact alongside a financial return". Impact investments can be made in both emerging and developed markets and they can target a range of returns, from below market to market rate, depending on investors' strategic goals.[3] Recently, the GIIN released the "Core Characteristics of Impact Investing", further defining the baseline expectations for impact investing. These include:[4]

1. Intentionality – which differentiates impact investments from ESG investing, Responsible Investing, and screening strategies
2. Financial returns – these can range from below-market rate to risk-adjusted market rate, and distinguish impact investments from philanthropy
3. Range of Asset Classes – impact investments are not a new asset class, but rather can be made across asset classes
4. Impact Measurement – commitment of impact investors to measure and report the social and environmental performance of underlying investments as a 'hallmark' of impact investing

While the language above represents a generally agreed upon definition, it is important to also note that impact investing can mean different things to different people. While some may see it as a strategy to find the next opportunity or outperform those not considering environmental or other factors, others see these investments as 'concessionary' by design, providing the

1 "Accelerating Impact: Achievements, Challenges and What's Next in Building the Impact Investing Industry", Rockefeller Foundation, July 2012
2 "Investing for Social & Environmental Impact", The Monitor Group, 2009
3 The Global Impact Investing Network (GIIN)
4 "Core Characteristics of Impact Investing", The GIIN, 2019

patient capital or needed tranche or guarantee to make an investment where the main interest is creating social benefits.[1]

Market Size

The overall market for investments that consider environmental, social and governance (ESG) factors is growing significantly, with the most recent data showing that ESG assets account for $12 trillion – or one in four dollars – of the total assets under professional management in the United States.[2]

For impact investments, the GIIN is generally regarded as the industry leader for data and research on this emerging marketplace. To date, its annual survey of investors – which includes fund managers, foundations, banks, development finance institutions, family offices, permanent investment companies, pension funds, and others – is the best source for estimated market size, as well as further insights into the investment types, strategies, sectors and other details.

In 2019, the GIIN went beyond its annual investor survey and dove deeper to more accurately 'size' the global market for impact investments – estimating that over 1,340 organizations currently manage USD $502 billion in impact investing assets worldwide. Of the estimated US$502 billion in impact investment funds under management (AUM):[3]

- 50% comes from asset managers (investing in venture capital, private equity, fixed income, real assets and public equities
- 25% comes from development finance institutions (DFIs)
- The remaining comes from banks, pension funds, insurance companies, foundations and family offices.

The GIIN also noted that, while there are some larger players, most impact investing organizations are relatively small, with about half managing less than $29 million each.[4]

While rapidly growing, the $502 billion in impact investing is still relatively small in comparison to the approximately $12.0 trillion invested in ESG assets. That said, with assets growing four-fold in four years,[5] investor appetite increasing and new infrastructure supporting its growth, experts predict the impact investing marketplace will continue to grow significantly moving forward.

Impact investing has grown four-fold in the past four years as investor appetite for options that produce economic, social and environmental impact continues to expand

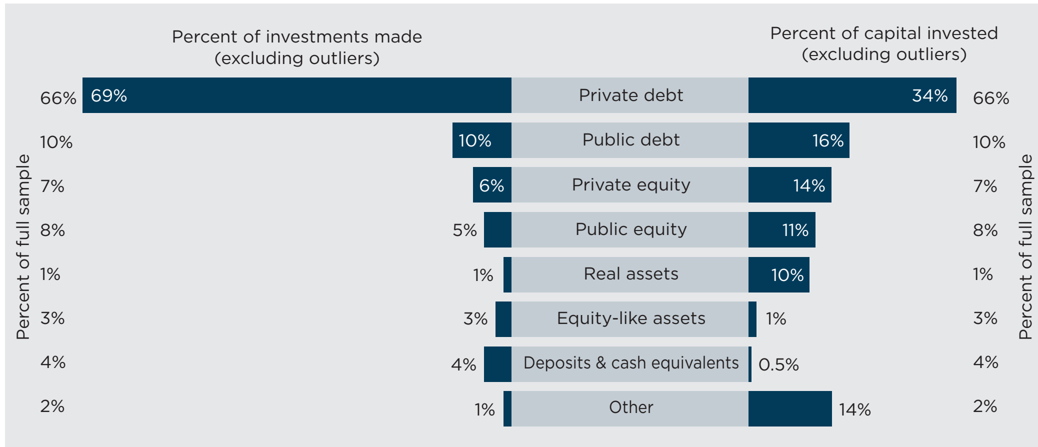
Asset Types

Utilizing the 2019 GIIN annual survey of investors, which provides further data and details on the market and the investors, private debt or fixed income instruments comprise the largest asset class in impact investing[6]. Private debt accounts for over one-third of capital invested and nearly 70% of investments made. Public debt follows next, accounting for 16% of capital invested and 10% of investments, while private equity accounted for 14% of capital invested and 6% of investments[7] (see Figure 1).

1 How impact investing can reach the mainstream", McKinsey 2016
2 US SIF Foundation 2018 Trends Report
3 "Sizing the Impact Investing Market", The Global Impact Investing Network, April 2019
4 "Sizing the Impact Investing Market", 2019
5 GIIN Annual Investor Survey 2019
6 Of note, the data in the 2019 GIIN annual survey is based on the total market size of $228billion, different from the in-depth market estimate the GIIN calculated in the "Sizing the Impact Investing Market" study
7 The Global Impact Investing Network 2019 Annual Investor Survey

Figure 1: Volume of capital invested and number of investments made in 2018, by asset class

n=261; capital invested figures in USD millions. Percentages of full sample (including outliers) shown alongside each bar.



Note: excludes two outliers and three respondents that did not report 2018 investment activity *Source: GIIN*

Private debt or fixed income instruments comprise the largest asset class in impact investing

Spectrum of Investment Opportunities

While the market data above focuses on the 'investments', it is important to note that many define the field of impact investments as a 'spectrum' of opportunities that can range from grants (philanthropy) to concessionary capital (program-related investments, recoverable grants, community notes), to risk-adjusted market returns. Building on the early work of pioneering groups, there are increasing numbers of foundations and individuals (investors, philanthropists) that are interested in moving towards "total portfolio activation"[1], striving to deploy more of their capital towards impact by investing 'across asset classes'. Many of these individuals and groups include their philanthropy as part of their overall 'impact investing' strategy and approach. Quite simply, this spectrum can be defined to include:

"Impact first" ⟷ "Financial First"

Philanthropy	Program Related Investments	Blended, Balanced, Impact First	Commercial
Grants Donations	Loans Guarantees Recoverable grants	Investments returning reasonable, but below market rate returns	Investments generating a market rate, risk-adjusted return

Thus, it is important to note that the broader 'field' of impact investors also includes a range of 'impact first' groups, including community development financial institutions, development finance institutions, specialist funders and philanthropists. This set of investors is particularly relevant to the charter school community.

1 "Total Portfolio Activation: A Framework for Creating Social & Environmental Impact Across Asset Classes", Joshua Humphreys, Christi Electris, Ann Solomon; Tellus Institute, August 2012

Industry Growth

Capital – The impact investing market continues to grow as more capital comes in from more types of investors, including private equity and 'mainstream' banks, as well as high-net-worth (HNW) families, foundations, and institutional investors (pension funds, insurance companies and even sovereign wealth funds). There is increasing attention as well on the 'retail' market, as data shows that the majority of individual investors are expressing interest in 'sustainable' investments.[1]

Standards – Alongside increasing assets and investor numbers, the impact investing "field" itself is also maturing, with growing consensus and convergence globally around definitions, approaches and measurements, and important frameworks and tools continuing to develop and grow. A few highlights include:

- The increasing attention to and adoption of ***impact frameworks***, such as the United Nations' seventeen Sustainable Development Goals (SDGs), among private investors and corporations as a 'common framework' for their ESG, Impact or Sustainability targets. The SDGs highlight the shift from 'access to education' to 'quality education'.
- The launch of ***impact measurement*** practices and tools, developed in partnership with leading impact investors, with a goal of attracting more universal adoption and use. Examples include:
  - The Impact Management Project, a forum for building global consensus on how to measure, manage and report impact, published in 2017 its "five dimensions of impact," including: what, who and how much impact, the level of risk, and the contribution that can legitimately be credited to the investor.[2]
  - The GIIN unveiled a new version of its system for measuring, managing and optimizing impact, called Impact Reporting and Investment Standards (or IRIS) in 2019. This new IRIS+ aims to help investors understand how a particular goal can, or cannot, be accomplished through a particular investment. It also helps inform investors about which metrics they should track to achieve their intended impact goals.[3]

The growth of 'impact investing' in size, types of assets, types of investors and field maturity is an important development for the charter school community

Summary

Overall, the growth of the 'impact investing' market in size, types of assets, numbers of investors and field maturity is an important development for the charter school community, as charter schools look to increase their access to financing for facilities as well as other needs (programs, supplies, tools and more). Additionally, the market data demonstrates that a majority of impact investments are in 'debt' (both private and public), accounting for 49% of capital invested and over 80% of investments made. This highlights a large opportunity for charter school lenders, who play a large role in facilities financing. Finally, similar to other sectors, impact investments specifically in 'education' are beginning to grow in dollars and diversity, which we explore further in the next section.

1 "Sustainable Signals: New Data from the Individual Investor", Morgan Stanley Institute for Sustainable Investing, 2017
2 https://impactmanagementproject.com
3 https://iris.thegiin.org

Impact Investing in Education

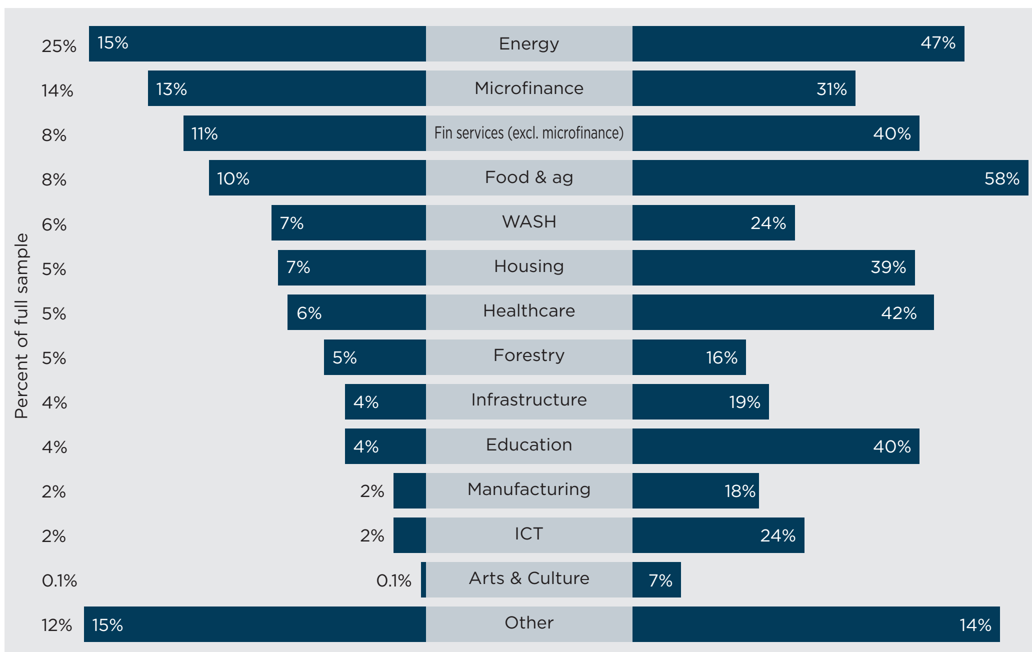
While existing research on impact investments in 'education' is somewhat limited, the annual GIIN investor survey provides some data, as it breaks down impact investments by thirteen 'sectors', including education. It also includes an 'other' category containing commercial real estate, retail, community development and multi-sector allocations, which may include investments relevant to charter schools.

Overall, the GIIN data (in Figure 2) shows that while education investments are relatively small, interest in this sector is growing:

Approximately 40% of participants indicated they made an allocation to education, showing a strong 'interest' among investors, even if the capital amounts were lower

Figure 2: Sector allocations by AUM and number of respondents

Left side: Percent of AUM, excluding three outliers: n=259; AUM = USD 131 billion
Right side: Percent of respondents with any allocation to each sector: n=266; respondents may allocate to multiple sectors



Note: 'Other' sectors incude commercial real estate, the retail sector, community development, and multi-sector allocations. Besides outliers, AUM figures also exclude three respondents that declined to share AUM.

Source: GIIN

As a percentage of assets: Education currently accounts for 4% of the investments, compared to Forestry (5%), Healthcare (6%), Housing and Water Sanitation and Health (WASH) (7%). While relatively low, it is important to note that education is slowly catching up to match other sectors. Furthermore, the "other" category (which represents 15%) includes community development, which is a key supporter of charter schools, suggesting that the percentage supporting education is, in fact, higher than 4%.

As a percentage of investors: Approximately 40% of participants indicated they made an allocation to education, showing a strong 'interest' among investors, even if the capital amounts were lower. Also, market-rate investors allocated 3% of their capital to education, while below market investors allocated 8%, indicating more interest and investment from 'below-market-rate' investors, which include many of types of current charter school supporters.[1]

Types of Investments

As mentioned above, while specific research on education impact investments is limited, there have been two analyses in the past five years that have specifically explored this market (addressing investments, channels, opportunities and challenges). While one analysis has a global focus and one is limited to the United States there are strong overlaps in the specific investments and channels supporting the education marketplace.[2] In general, the types of investments in education can include:

- Infrastructure (buildings, etc.)
- Program operations for schools (books, healthy gardens)
- Training and support (student loan programs, teacher training)
- Online and in-school programs (for-profit), such as distance learning, back office support systems
- Education technology (EdTech)

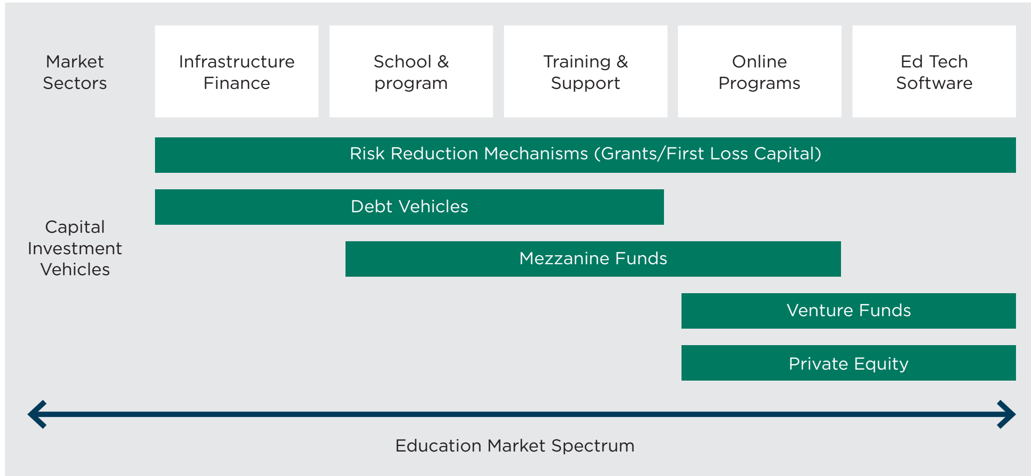
While relatively low, it is important to note that (impact investments in) education are slowly catching up to match other sectors

The global analysis also includes investments in the educational ecosystem, which help to build a more robust education marketplace.[3]

Figure 3 highlights the main sectors for investment and types of capital supporting each.[4]

1 Annual Impact Investor Survey, The GIIN, 2019
2 The impactDEALS Forum, February 5, 2015, The Aspen Institute, Washington, DC; "Impact Investing in Education: An Overview of the Current Landscape", Open Society Foundation, 2013
3 "Impact Investing in Education: An Overview of the Current Landscape", Open Society Foundation, 2013
4 The impactDEALS Forum, February 5, 2015, The Aspen Institute, Washington, DC

Figure 3: Education Market Impact Investment Matrix



Channels for Investments

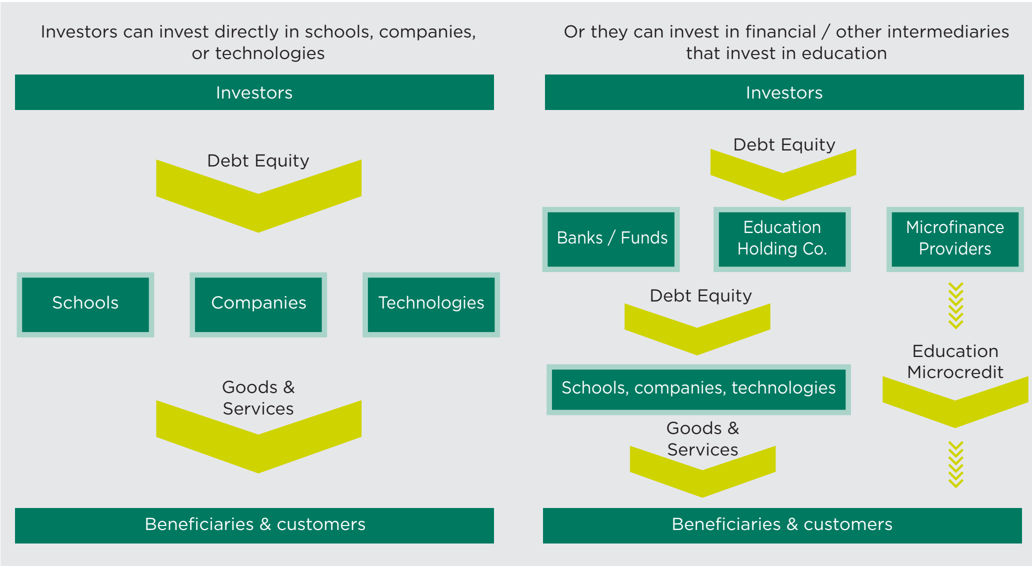
Impact investments in education (debt or equity) are typically made directly and/or indirectly through intermediaries

Impact investments in education (debt or equity) are typically made directly and/or indirectly through intermediaries as demonstrated by Figure 4 (below). Intermediaries can typically include: [1]

- Loan funds (or risk guarantees for loan funds), enabling banks to do more lending to schools
- Fund-of-funds models (fund managers are often education investment experts)
- Education holding companies (operating networks of schools)
- Microfinance institutions that offer credit to low-income families to send their children to school (done more with global investments)

1 Open Society Report 2013

Figure 4: Channels for Investing in Education



Source: Open Society Foundation's Working Paper: "Impact Investing in Education: An Overview of the Current Landscape"

Summary:

Although somewhat limited data exists to date, the research highlighted above uncovers a market and channels for education investments that are directly relevant to charter schools. While there are some direct investments and grants in education generally, and charter schools specifically, it is the intermediaries who play an important role in the financing of charter schools. Indeed, funders with whom we spoke estimate that these 'specialist' funders and intermediaries 'dominate' much of the charter schools facilities financing today. The next section explores the current charter school facilities financing landscape, before exploring opportunities moving forward.

It is the intermediaries who play an important role in the financing of charter schools

Impact Investing Landscape: Charter School Facilities

While most of the main 'types' of the education impact investments highlighted above – infrastructure, program operations, training, online programs, etc. – are relevant to charter schools, their most critical financing needs are for facilities. Focusing on these types of impact investments, there are currently a variety of funders – socially responsible, commercial and government – that help charter schools and charter management organizations secure financing to buy, lease and renovate facilities. This section briefly reviews the main types of funders and supporters in each category, as highlighted in the chart below.

Charter school investments from all types of funders should be included (with other community investments) as precursors of what we now call 'impact investments'

Socially Responsible	Commercial	Government
· Foundations · Individuals · Social Impact Funds · Nonprofit Lenders · Nonprofit Real Estate Developers	· For Profit Lenders · For Profit Real Estate Developers · Municipal Bonds	· US Department of Education · US Treasury · US Department of Agriculture · State Level Initiatives

While most of these funders do not use the term 'impact investing' with regards to charter school financing, some (particularly the commercial funders) are increasingly using this language as they look to attract funds from those seeking positive economic, social or environmental impact. However, as mentioned above, thanks to the early, pioneering funders and supporters who helped prove the viability of these investments and learn the critical details (risk factors, effective terms, policy navigation), charter school investments from all types of funders should be included (with other community investments) as precursors of what we now call 'impact investments'. The final section highlights several strategies that charter schools should consider to be more clearly identified as a part of the emerging impact investing marketplace.

Socially Responsible

Foundations (National, Community, Family)

Foundations of all sizes play an important role in supporting charter schools through both direct (grants, loans, PRIs) and indirect investments through intermediaries. Indeed, similar to other philanthropic investors, funding from foundations has been critical to the launch, growth and development of charter schools across the country.

As an example, the Girard Foundation has provided start-up funding and other strategic investments in a small number of charter schools with innovative educational models, including: Thrive Public Schools, KIPP San Diego, Scholarship Prep Academy, Escondido Charter High School, High Tech High, Health Sciences High and Middle College, Gompers Preparatory Academy and Keiller Leadership Academy. Girard Foundation also worked for several years with the California Charter Schools Association and a group of local charter schools to develop better ways of meeting the needs of special education students.[1]

Individuals (Philanthropy and Investments)

Individuals also play a key role in supporting facilities financing for charter schools in a number of ways, including grants (through foundations, donor advised funds (DAFs), or direct funding to charter schools or CMOs), grants or loans to CDFIs (notes), and occasionally equity investments. Similar to foundations, individuals also support working capital, programs, services and other needs of charter schools and charter management organizations. They can donate real assets, including land or buildings (see below).

Funding from foundations has been critical to the launch, growth and development of charter schools across the country

As an example, eighteen individual donors pooled assets from their donor advised funds (see more below) into InvestMPLS, the impact investing program within the Minneapolis Foundation. Through this program, the donors were able to deploy $1 million to the Nonprofits Assistance Fund, a local CDFI, for loans to local charter schools serving low-income students in Minneapolis.[2]

As another example, the Academy for Global Citizenship, a public charter school in Illinois, launched a crowdfunding campaign to raise half of the $3 million it needed to secure the land on which they wished to create a new school.

1 Girard Foundation: https://girardfoundation.org/major-projects/charter-schools/
2 Minneapolis Foundation 2017: https://www.minneapolisfoundation.org/donors-pool-their-resources/

Social Impact Funds

Individuals and foundations are also large supporters of 'intermediaries' (CDFIs, nonprofits and specialists) that support charter schools. These specialists play an important role in charter school facilities financing and can help both individuals and foundations that may not have the capacity or expertise to make direct investments most effectively, or would like to leverage their funds further. These groups are discussed further below.

Additionally, while still few in number, it is worth noting that there are also some dedicated funds being created by foundations (and individuals) that specifically target school facilities financing. A good example of this is the Equitable Facilities Fund – a $200 million dedicated charter school loan fund created by Walton Foundation to provide low-cost, long-term, fixed-rate loans to charter schools seeking permanent financing[1]. These types of funds can work like private equity and private debt funds but maintain a non-profit mission. They are also able to leverage initial investments with proceeds from the tax-exempt bond market.

Nonprofit Lenders (CDFIs and Specialized Lenders)

CDFIs were among the first financial institutions to provide loans and real estate development assistance to charter schools

Community Development Finance Institutions (CDFIs) are mission-driven financing organizations that provide capital and development services to financially underserved markets. CDFIs can be banks, credit unions, loan funds, microloan funds or venture capital providers.[2] CDFIs were among the first financial institutions to provide loans and real estate development assistance to charter schools and remain today one of their most important sources of facilities financing. In addition to CDFIs, there are also other nonprofit lenders or 'specialized' funders that support facilities financing and bring deep expertise in the charter school area.[3] Nonprofit lenders typically use the following financing tools to support charter schools:

- Loans
- New Markets Tax Credit tax allocations
- Credit enhancements that reduce the costs of borrowing
- Small technical assistance grants

As an example, the Local Initiatives Support Corporation (LISC), a national CDFI, has helped finance charter schools (facilities improvements, construction and development) since 1997. It created a national program to finance charter school development, and also leads research to help inform policy changes around facilities financing.

As another example, the Charter School Development Corporation (CSDC) finances and develops facilities for public charter schools nationally. CSDC proactively invests in educationally and economically underserved communities with a concentration on charter schools in their first five years of operation.[4]

1 Equitable Facilities Fund: https://eqfund.org/charters/
2 CDFI Fund: https://www.cdfifund.gov/Pages/default.aspx
3 The Charter Schools Lenders' Coalition: http://www.charterlenders.org/about/members/
4 LISC: http://www.lisc.org/our-initiatives/education/charter-school-financing/

Nonprofit Real Estate Developers

Real estate developers typically provide design, construction, project management and turnkey development services to charter schools. They often then engage in either the lease or sale of the facilities to charter schools. Developers may also provide credit enhancement and loan financing or help to secure financing for development of charter school facilities.

As an example, Pacific Charter School Development (PCSD) is a nonprofit public benefit corporation launched in 2004 by leaders from the NewSchools Venture Fund to help charter schools with the facilities challenges. PCSD works to provide long-term affordable facilities solutions to high-quality charter schools, providing turnkey development, project management and consulting services. PCSD manages revolving equity funds and real estate development activities in three regions – Los Angeles, San Francisco Bay Area and Washington State. Their clients include national leaders, including Green Dot Public Schools, Alliance College-Ready Public Schools, Summit Public Schools, KIPP Bay Area Schools and others. [1]

Commercial

Commercial Banks

In the early years of the charter school sector, conventional financing through bank loans was often not accessible or affordable. Today, banks are increasingly supporters and investors that provide direct loans and invest in intermediaries that support and finance charter schools, largely as part of their Community Reinvestment Act (CRA) activity. This includes national banks (e.g. Bank of America Merrill Lynch), regional commercial lenders and local banks. Banks and investment banks are also involved in structuring financial solutions. That said, many banks typically require charter schools to contribute roughly 20%-40% of the loan as equity[2] – thus bank financing may still be out of reach for schools that are newer, lack cash reserves or need to attract philanthropic or other capital to help them cover the equity requirement.

In the early years of the charter school sector conventional financing through bank loans was not accessible to charter schools

As an example, Bank of America Merrill Lynch launched a dedicated charter school financing team in 2000 to support the development of public charter school facilities. To date, they've helped to finance (through loans) more than $900 million to over seventy-five schools nationally. They help "build schools to address a specific neighborhood need, rehabilitate existing facilities or develop multi-phase facilities".[3]

1 Pacific Charter School Development: http://pacificcharter.org
2 Facilities Financing Guide, Charter School Capital, 2018
3 Bank of America Merrill Lynch: https://www.bofaml.com/en-us/content/charter-school-funding-and-financing.html

As another example, PNC Bank worked with the Turner-Agassi Charter School Facilities Fund (see below), providing senior secured debt as part of an investment in the Grand Concourse Academy Charter School in the Bronx for a new three-story, 50,000 square foot facility.[1]

For-Profit Funders and Real Estate Developers

There is increasing interest and investment in privately funded options to finance and develop charter schools, including private equity funds and for-profit real estate developers, who (similar to the nonprofit developers described above) provide design, construction, project management and turnkey development services to charter schools. These groups attract capital from leading banks, such as Bank of America Merrill Lynch and Citigroup, as well as individual investors.

As an example, the Turner Agassi Fund, a joint venture of Turner Impact Capital and Agassi Ventures, helps charter schools by acting as a "bridge developer for best-in-class charter schools", providing 100% of development costs and then leasing facilities to charter schools, while also working with them for an eventual purchase. The fund also works with schools to help them utilize using New Market Tax Credits, tax-exempt bond offerings or funding from the U.S. Treasury's Community Development Financial Institutions Fund. They have worked with KIPP, Rocketship Education, Aspire, Academica, Eagle College Prep and others.[2]

There is increasing interest and investment in privately funded options to finance and develop charter schools

Tax Exempt Bonds (Municipal)

Charter schools are increasingly utilizing tax-exempt bonds to support their facilities financing. While the first $11 million of bonds were issued in 1998 for charter school facilities, a total of $17.7 billion of bonds have now been sold across the U.S.[3] Annual municipal-bond issuance for charter schools also has increased in the past decade, from $1.0 billion in 2007 to $3.5 billion in 2017.[4] While the tax-exempt bond market is increasingly a source of financing for charter school facilities, and investors in the bond market better understanding their value, it should be noted that currently only twelve percent of charter schools nationally receive bond market funding.[5] The majority of charter schools must find other sources for their facilities financing needs.

1 PNC Bank: https://www.pnc.com/insights/corporate-institutional/raise-capital/turner-agassi-looks-to-pnc-to-provide-charter-school-financing.html?lnksrc=pnc-insights-feed
2 Turner-Agassi Charter School Facilities Fund: https://turnerimpact.com/investment-models/education
3 Issuance database created by Wendy Berry, senior analyst, NewOak
4 LISC; Baird Update: Charter School Facility Financing 2019
5 Facilities Financing Guide, Charter School Capital, 2018

As an example, String Theory Schools, which are grounded in a deep learning "STEAM" model [STEM + Arts] was able to borrow $55 million through a municipal (tax-exempt) bond offering in 2013 that financed close to one hundred percent of a major new building for the Philadelphia Performing Arts Charter School.[1]

As another example, MassDevelopment (the state of Massachusetts' development finance agency) issued $24.5 million in tax-exempt bonds to the Atlantis Charter School that financed a new, three-story facility (including classrooms, a gymnasium and administrative offices) and a new outdoor athletic field. MassDevelopment also provided a charter school loan guarantee. The Washington Trust Company and BayCoast Bank purchased the bonds.[2]

Government

The government at both the federal and state levels support charter schools through grants, loans and subsidies – some of which help the school directly and some of which could be used to help investors. Several of these funding instruments – including those from the Department of Treasury (CDFI and NMTC) – have been critically important tools in facilitating and supporting facilities financing for charter schools.

The government at both the federal and state levels support charter schools through grants, loans and subsidies

Federal

The U.S. Department of Education Office of Innovation and Improvement provides facility eligible grant funds through the following programs: [3]

- Charter Schools Program Grants to State Entities (SE)
- Charter School Program Grants for the Replication and Expansion of High Quality Schools (CMO Program)
- Charter School Program Grants to Developers
- Credit Enhancement for Charter School Facilities Program (Credit Enhancement)
- National Dissemination Grants
- State Charter School Facilities Incentive Grants (State Incentive)

The U.S. Department of the Treasury allocates tax credit authority, direct subsidies and federal guarantees on behalf of three federal programs that charter schools can access for facilities financing:

- Community Development Financial Institutions Financial Assistance
- Community Development Financial Institutions Bond Guarantee Program
- New Markets Tax Credit Program (NMTC)

1 ImpactDEALS report, 2015
2 New England Real Estate Journal, November 10, 2017
3 US Department of Education, Office of Innovation and Improvement, Charter School Program: https://innovation.ed.gov/what-we-do/charter-schools/; US Department of Education, Office of Elementary and Secondary Education, https://oese.ed.gov/offices/office-of-discretionary-grants-support-services/charter-school-programs/

As an example, the Friends of KIPP Academy Lynn (KAL) Charter School Foundation, Inc. used **a $26 million New Markets Tax Credit financing package** to purchase a six-acre site and build a 68,000-square-foot middle and high school, replacing the space KAL leased from the Boston Archdiocese. At full capacity, the new KAL middle and high school campus serves seven hundred and fifty students in grades 5-12.

As another example, East Harlem Tutorial Program developed a $37 million, 50,000-square-foot facility with the aid of a $9.5 million New Markets Tax Credit allocation. The project provides a permanent home to East Harlem Scholars Academy that serves five hundred at-risk students.[1]

The U.S. Department of Agriculture's Rural Development Community Facilities Programs provide loans, guarantees and grants for essential community facilities in rural areas and towns of up to twenty thousand in population. Through 2017, the program has provided loans, guarantees and grants totaling more than $858 million for two hundred eighty-seven charter school projects.[2]

States have a variety of investment programs for charter school facilities, although they can vary greatly from state to state

States

States have a variety of investment programs for charter school facilities, although they can vary greatly from state to state. These can include: funding (per pupil, capital grants, loans, credit enhancements), access to tax exempt funds (by states acting as conduit issuers) and access to facilities.[3] In a 2014 report on financing, LISC found that:

- ***Funding:*** approximately half of the forty-three jurisdictions with a charter law make investments in charters through a grant, loan and/or credit enhancement program for charter school facilities. The program size and magnitude of support vary widely across jurisdictions.

- ***District facilities***: Eleven of the forty-three jurisdictions facilitate investments in charter schools by making district facilities available to charter schools, using one of three methods: requiring districts to provide space to charter schools; requiring districts to publish a list of unused facilities for charter schools to access; or by offering right of first refusal to charter schools to lease or purchase district buildings.

The National Alliance for Public Charter Schools provides an annual snapshot of state policies with regards to funding issues for charter schools, including:[4]

- Providing a per-pupil facilities allowance to charter schools
- Creating a charter school facilities grant program

1 "New Markets Tax Credits Aid in the Financing of Charter Schools", Stites and Harbison PLLC, January 2018
2 LISC: https://www.lisc.org/charter-schools/funding-options/us-department-agriculture-rural-development-community-facilities/?edit&language=en-us
3 LISC Report 2014
4 "State Policy Snapshot: Facilities Funding for Public Charter Schools", National Alliance for Public Charter Schools, June 2019

- Ensuring that charter schools have equal access to all existing state facilities programs and revenues for district-run public schools in a state
- Providing a charter school facilities loan program
- Providing charter schools with access to local property tax dollars generated for facilities

In 2019, the Alliance found that thirty states and the District of Columbia have a policy covering at least one of the issues above, while twenty states and the District of Columbia have more than one such policy on the books. No jurisdiction has all five policies in place, and not every state's policy, such a grant or loan program, actually gets funded.[1]

Summary

Facilities financing for charter schools often includes a number of different sources and types of investments to support the needed 'capital stack' (or total investment). These multi-party investment structures have been utilized in charter school facilities financing since its early days almost thirty years ago. The first pioneers in the lending and investing space (including CDFIs, specialized lenders and philanthropists, assisted by public funds)[2] worked hard to prove the reliability and attractiveness of these types of investments, learning the critical details (risk factors, effective terms, policy navigation, etc.) This work has helped overcome some reluctance by investors to invest in a perceived new asset class and has led to an increase in the banks, bond markets and traditional investors interested in funding charter school facilities.

Research and practice demonstrate that the default rates on loans to charter schools continues to improve and the ratings of municipal bonds continue to strengthen. Importantly, there are a number of 'specialists' (nonprofit and for-profit) in the charter school financing space, including a number that have supported a variety of this financing for years, who bring critical knowledge of, and experience in, evaluating and structuring deals in charter schools that can and should be further leveraged by investors and philanthropists.

The charter school community can make the case that charter school financing is, and should be, included as an impact investing strategy in the broader education sector. Further, as the market data on impact investments demonstrates that a majority are in 'debt' (both private and public), which is a leading tool for financing facilities (49% of capital invested and over 80% of investments made)[3], charter schools should investigate opportunities that tap into that investor demand. There is also an opportunity for charter school investments to join the ever-growing landscape of impact investing opportunities that provide demonstrable impact and attractive risk-adjusted rates of return.

The next section lists several (best practices) and recommendations for the charter school community and their supporters to advance this effort.

The charter school community can make the case that charter school financing is, and should be, included as an impact investing strategy in the broader education sector

1 Ibid
2 LIIF Interview 2019
3 2019 GIIN Investor Survey

Recommendations: Impact Investing for Charter Schools

The charter school community (including schools, supporters and funders) has an opportunity to increase its access to much-needed capital by demonstrating how their critical investment needs (including capital for facilities) can meet the increasing interests and demands from philanthropic and impact investors, and how these investment opportunities can and should be included as part of the broader education impact investing sector.

This analysis recommends a three-pronged strategy to the charter school community to advance these efforts:

- Identify, prioritize and position the diversity of financing needs for charter schools
- Evaluate investor trends to position for opportunities
- Collaborate to strengthen the ecosystem

Facilities financing remains one of the biggest challenges to the growth of the charter school sector

The following sections further explore each of the above strategies.

Strategy #1: Identify, Prioritize and Position the Diversity of Financing Needs for Charter Schools

While the entrance of banks, the bond market and even some 'mainstream' investors into charter school financing has been a positive development, facilities financing remains one of the biggest challenges to the growth of the charter school sector. In addition to the capital needed for acquiring or leasing properties and facilities, charter schools actually have a number of capital needs related to facilities, as well a diverse array of other financing needs. Given the diversity of interests among impact investors, the charter school community could benefit by better communicating the wide range of investment opportunities and positioning these financing needs towards investor appetite and demands.

Market Size

While some charter schools and charter management organizations (CMOs) enjoy strong brands and help to generate public awareness, many investors are not aware of the size (or growth) of the entire charter school sector. To attract impact investors to this sector, the charter school community needs to both communicate the critical needs for more investment overall and highlight specific opportunities from the diversity of schools within the broader charter school community, including those by:

- Geography, especially new geographies
- Age of the school, especially for lesser-known, early-stage charter schools
- Independent operators, as well as CMOs
- Schools focused on certain student populations, especially those at-risk or with special needs

Asset Types I Spectrum of Investment Opportunities

While the bulk of facilities financing is often concentrated in market-rate, long-term debt and short-term senior debt, there remains a critical need for increased access to:

- More affordable capital
- Working capital
- Startup capital
- Short-term or temporary financing
- Equity (for the 10-30% of the capital stack that schools are often required to provide to access financing)

To attract impact investors to the sector, the charter school community needs to better showcase the diverse range of investment options (by asset class, risks, returns and impact) that are available (and needed) to support charter schools nationally.

To attract impact investors to the sector, the charter school community needs to better showcase the diverse range of investment options

Industry Growth

For those looking to make systemic investments, there are school needs (such as technical assistance or pre-development services) as well as field building needs (such as advocacy, knowledge and product development) that both philanthropists and investors could better support moving forward. Some of the specific opportunities include:

- Supporting technical assistance providers
- Supporting non-profit real estate trusts, or incubators for start-up charters
- Supporting advocacy efforts for the charter school community
- Funding research and knowledge that informs investors, schools and their supporters

To date, it is the philanthropic community (as well as community financing and public grants) that has largely supported areas such as technical assistance, advocacy and research for charter schools. And while more is needed, it is also important to explore where and how there are opportunities for investors to support or partner in ways that are helpful.

As an example, data on the education impact investing research demonstrates that there is increasing interest among investors to support technical assistance, technology and other services, or in-school programs that could benefit charter schools. The Chan Zuckerberg

Initiative partnered with Summit Public Schools to provide grants and volunteers (from its in-house engineering team) to develop Summit Learning, an online personalized learning platform[1], which has now spun out of the Summit charter schools as a separate organization.[2]

Opportunities for Charter Schools

It is important for the charter school community to better identify, prioritize and communicate specific areas where both philanthropy and investments can play a key role, and to strategically promote those opportunities to interested funders. We recommend that each school and the collective charter school community might:

Identify the most pressing financing needs and think through the different types of capital that might support these needs (i.e. grants, loans, loan guarantees, low interest loans, equity, etc.). It is also important to think about the current tax-incentive programs (such as NMTCs and Opportunity Zones).

Prioritize those options that represent the greatest needs or may gain the greatest traction based on investor or philanthropists' 'demands' – and then ***position these priorities*** for impact investors, utilizing the broader frameworks (e.g. ESG, SDGs), language (e.g. 'impact first' or 'first loss' capital), and impact measures or standards (e.g. the GIIN's IRIS+) that they are accustomed to (and increasingly) incorporating (see more on this in Strategy #2 below).

Publish and share the findings from the work above to provide investors a snapshot of the market demand and industry growth, and showcase the spectrum of investment opportunities. This could be done regularly (i.e. in an annual report), similar to other sectors within impact investing.

It is important for the charter school community to better identify, prioritize and communicate specific areas where both philanthropy and investments can play a key role

Strategy #2: Evaluate Investor Trends to Create Opportunities

There are always developments with funders (philanthropic, public, private) that are important for any sector to watch and react to accordingly. The rapid growth of impact investing has the potential to catalyze much-needed capital for charter schools facing critical needs. However, it is important for charter schools and their supporters to better understand important developments within the funder community, and better position the appropriate investment opportunities within the sector.

While certainly not capturing all of the trends in the financing landscape relevant for charter schools, this analysis highlights a few of note for charter schools among (1) foundations (philanthropy and impact investments) and (2) individuals (high-net-worth and retail).

1 The Chan Zuckerberg Initiative has made over $100 million in education grants since 2018, new disclosure shows", Matt Barnum, Chalkbeat, April 1, 2019
2 "Summit Schools to Spin Out Learning Program", Betsy Corcoran, EdSurge, October 12, 2018

Investor Trends: Foundations

Philanthropy

There are some interesting 'trends' among foundations supporting education more broadly, and charter schools specifically, including:

- ***New entrants*** – A 2014 study of the fifteen largest education foundations revealed that a significant number of new donors and foundations entered the K–12 arena from 2000 to 2010,[1] with seven new entrants superseding more established philanthropies in terms of the size of their contributions to the sector. [2]

- ***Different approaches*** – This same study found that many of these newer funders were employing different approaches, like supporting "jurisdictional challengers" such as charter schools, innovators like Teach for America and venture funds like the Charter School Growth Fund.[3] While older foundations eventually joined in supporting charter schools, these newer funders (such as Walton, Gates, Arnold and others) remain the largest supporters of charter schools today.[4]

- ***Greater convergence*** – The 2014 study found that the top fifteen foundations granted $150 million to just five grantees (Charter School Growth Fund, Teach for America, KIPP, DC Public Education Fund, and NewSchools Venture Fund).[5] Another study (2017) echoed this trend, noting a preference among foundations for charter school networks over stand-alone charter schools, as well as an increasing concentration of funding in certain geographies. This convergence of research is helping funders to advocate for and advance state and local charter school reform.[6]

In addition to grants, foundations have been increasingly integrating impact investing strategies within their grant making and core investment portfolios

Impact Investing

In addition to grants, foundations have been increasingly integrating impact investing strategies within their grantmaking and core investment portfolios. Some important trends include:

- Foundations making ***large commitments to impact investing*** – such as the Ford Foundation (up to $1 billion over the next decade); the MacArthur Foundation ($500 million for impact investments); the Heron Foundation (one hundred percent of its $300 million endowment to its mission); and the Surdna Foundation (pledging $100 million of its endowment to impact investment).[7]

1 "The Expanding Role of Philanthropy in Education Politics", Sarah Reckow and Jeffrey W Snyder, May 2014
2 "Philanthropy and the Growth of Charter Schools", Stanford Social Innovation Review, Chester E. Finn, Jr., Bruno V. Manno, & Brandon L. Wright, October 2016
3 Finn, Manno and Wright, SSIR, 2016
4 "Five Trends to Watch in Charter School Philanthropy", Inside Philanthropy, April 4, 2019
5 Reckow and Snyder, 2014
6 "Converging on Choice: The Interstate Flow of Foundation Dollars to Charter School Organizations", Joseph J. Ferrare and R. Renee Setari, Educational Researcher, November 2017
7 "Can Ford Foundation's $1 Billion Impact Investing Commitment Alter the Field?", Debby Warren, Nonprofit Quarterly, March 6, 2018

- Foundations launching ***impact investment teams*** – such as the Lumina Foundation's Impact Ventures; the Mission Investing team at the Michael & Susan Dell Foundation, and the Sorenson Impact Center, supported by the Sorenson Impact Foundation).

- ***Increasing numbers*** of networks, associations, learning and co-investment communities (nationally and regionally) that support and educate foundations keen to learn about and deploy impact investments and advocate for their increasing use. Examples include Mission Investors Exchange, an impact investing network for over two hundred foundations dedicated to deploying capital for social and environmental change,[1] and the San Diego Grantmakers Impact Investing Initiative, a cross-sector collaboration committed to building a regional market for "impact investing." SDIIN's goal is to activate $100 million in new impact investments in the San Diego region by 2025.[2]

- ***Regulatory changes***, such as those that have helped to clarify what constitutes a program-related investment and the passing of "Newman's Own" regulation, which allows private foundations to own for-profit companies without needing to pay taxes on the revenue they generate, are helping foundations to 'invest' more**.** Other regulatory and legislative changes, such as the Jumpstart Our Business Startups (JOBS) Act[3], are increasing the ability of impact ventures and more traditional investments (real estate, CDFIs, Muni Bonds) to utilize platforms to increase their capital through 'crowdfunding'. (The JOBS Act also catalyzed Opportunity Zones, discussed below.)

Today, more foundations are striving to adapt a "Total Portfolio Activation" approach

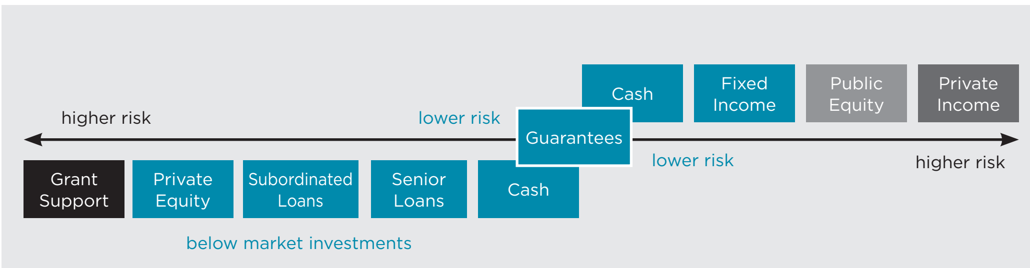
- ***Increasing Place-based Impact Investing strategies***: Place-based impact investing "refers to the local deployment of impact investments to address the needs of marginalized communities".[4] The Urban Institute and Mission Investors Exchange issued a set of briefs in 2019 on place-based impact investing, noting that: "place-based impact investing is no longer a solo endeavor for many foundations across the United States. Foundations are increasingly joining and leading cross-sector efforts to invest in the communities at the heart of their mission."[5] Further, The Urban Institute, John D. and Catherine T. MacArthur Foundation and Mission Investors Exchange are together developing an evidence-based toolkit to advance the concept and inform the practice of place-based impact investing.[6]

- Finally, and importantly, ***more foundations are striving to adapt a "Total Portfolio Activation" approach***. While the Heron Foundation was an early pioneer of advocating that foundations deploy more than just grant capital in support of their mission, the Tellus Institute detailed in a 2012 analysis what it called "total portfolio activation", stating that "endowment and foundation investors have an opportunity and responsibility to leverage impact across all asset classes in alignment with their programmatic focus".[7] Today, more foundations

1 Mission Investors: https://missioninvestors.org/about
2 San Diego Grantmakers: https://sdgrantmakers.org/SDIIN
3 H.R. 3606: https://www.govinfo.gov/content/pkg/BILLS-112hr3606enr/pdf/BILLS-112hr3606enr.pdf
4 Urban Institute: Place Based Impact Investing
5 Mission Investors Exchange (https://missioninvestors.org/resources/place-based-impact-investing-three-briefs-practitioners)
6 Urban Institute (https://www.urban.org/policy-centers/research-action-lab/projects/place-based-impact-investing)
7 Total Portfolio Activation: A Framework for Creating Social and Environmental Impact across Asset Classes", Tellus Institute, supported by TIDES and Trillium Asset Management, August 2012

(including Phillips, Sorenson, Cordes and others) are joining pioneers like Heron to deploy more capital for impact across a diversity of asset classes (see Figure 5 below). Advocates such as Mission Investors Exchange and funders like Omidyar Network are producing the knowledge and convenings needed for more investors of all types to consider investing "across a spectrum of risk and returns.[1] As Omidyar aptly noted in their recent series on "Beyond Trade-offs", done in partnership with The Economist: "***We need to move beyond the trade-off debate and embrace all types of capital along a continuum of financial returns.***"[2]

Figure 5: The Investment Continuum Across Asset Classes



Opportunities for Charter Schools: Foundations

Foundations' interest in collaborative funding strategies presents an interesting opportunity for charter schools

The developments above highlight the ways that foundations, as early supporters of charter school financing, represent some of the best sources of impact investments that could meet the critical facilities funding needs that are threatening the growth and expansions of charter schools, as well as address some of the "harder to fund' charter schools, such as those that are relatively young, not part of a well-known CMO, or located in new geographies.

Leverage existing collaborations – Foundations' interest in collaborative funding strategies presents an interesting opportunity for charter schools, as the typical "capital stack" for facilities financing can often involve several different types of funders. A typical example might be a charter school raising a $7.25 million investment through a combination of senior loan from a bank, equity from a CDFI, a credit enhancement from a nonprofit developer, and program related investments from several local foundations. Charter schools have an opportunity to leverage existing collaborations, or propose new ones, among funders to support much-needed facilities financing.

As an example: Collaborative Funding for Early Stage Charter Schools**:** The Community Foundation for Greater Atlanta closed a new $1 million investment to finance high-potential, early-stage charter schools in metro Atlanta's lower income communities. The financing was done through a collaboration between **the GoATL Fund** (impact investment fund

1 "Across the Returns Continuum". Matt Bannick, Paula Goldman, Michael Kubzansky, Yasemin Saltuk, Omidyar Network, 2016

2 Beyond Tradeoffs, The Economist 2019: https://beyondtradeoffs.economist.com/voices-across-returns-continuum

for CFA), Low Income Investment Fund (LIIF), with additional funding from the U.S. Department of Education (DOE).

Develop place-based strategies – Another rising trend among foundations and other funders, building on the collaborative theme above, is their increasing interest in exploring place-based strategies. Mining this dynamic can often result in bringing in new supporters, attracting larger dollars or supporting some of the more 'challenging' schools (such as early-stage, rural locations or serving special needs students). Given their important roles in local communities, charter schools have an opportunity to explore how they might lead – or join – an investment strategy that targets their specific region.

As an example, Place-Based Strategy: The Broad Foundation is leading a $490 million campaign among several funders to move half of the students in Los Angeles public schools to charters by 2023. This plan, called The Great Public Schools Now Initiative, seeks to more than double the number of existing charter schools (200), adding two hundred and sixty new charter schools over a period of just eight years.

Charter schools have an opportunity to explore how they might lead – or join – an investment strategy that targets their specific region.

Join network communities – As foundations and other funders increasingly explore impact investing strategies, there are a number of networks, associations and learning/co-investment communities emerging that are focused on education, peer learning, networking and relationship building, and co-investment opportunities. The charter school community should be joining these conversations to learn about impact investment funders and providers, meet interested funders of all sizes, explore ways to partner and learn about possibilities for product design.

Develop diverse 'impact' portfolios – Finally, and importantly, as foundations and philanthropists increasing strive to deploy more capital toward impact, what is emerging are more diverse portfolios (grants, PRIs, and MRIs) and investment products and a broader range of return expectations. The charter school community has the opportunity to *both* advocate for its more traditional products (loans, notes, tax-exempt bonds) and better clarify specific opportunities to support charter schools across a range of asset classes.

Investor Trends: Individuals

Among individuals, there are a few trends that are important for charter schools. First, it is important to note that in looking at "individuals" (as philanthropists or investors), they are often segmented into two distinct groups: **High-Net-Worth** (individuals, family offices) and **'Retail'** (more mainstream, unaccredited investors).

Innovative Vehicles

- **Charitable LLCs (mostly HNW):** Increasingly, donors are establishing charitable LLCs for their philanthropic strategies (notables include the Omidyar Network, Chan Zuckerberg Initiative and Arnold Ventures). Among other benefits, these structures allow individuals to deploy multiple types of capital to support their impact strategies.

- **Donor Advised Funds (both retail and HNW individuals)**: Donors can contribute cash, securities, or other assets to a DAF at a public charity and take an immediate tax deduction. They can then direct which charities or enterprises they would like to support. Recent data from Fidelity and Schwab note significantly more grant capital flowing. For example, at Fidelity Charitable, donors recommended a record $4 billion in grants for the first half of 2019 (total grants for all of 2018 were $5.2 billion).[1] Additionally, an increasing number are interested in – or engaging in – making impact investments as well.[2]

Networks and Memberships

High-Net-Worth Individuals, Families and Family Offices: Similar to the trend with foundations and philanthropists, there are an increasing number of networks, associations, learning and co-investment communities (globally, nationally and regionally) emerging to help support and educate HNW individuals and families on impact investing. These groups can include a range of services – education, convenings, research, connections and co-investing opportunities. While much of the work is designed specifically for its members or clients, some are beginning to share their data, insights and lessons learned with the broader field. ***A few examples of these communities include***:

There are an increasing number of networks, associations, learning and co-investment communities emerging to help to support and educate HNW individuals and families on impact investing

- ***Toniic*** is a community for impact investors serving individuals, family offices, foundations and funds in over twenty-six countries. Toniic members are committed to "discover, evaluate, nurture and invest in financial products – in all asset classes – that promote a just and sustainable economy."[3]
- ***The ImPact*** – founded by Justin Rockefeller and Josh Cohen, The ImPact is an invitation-only, global network of one hundred twenty-five members with an average family wealth approximately $700 million. Their mission is to inspire families to make more impact investments more effectively.[4]
- ***Nexxus*** is a community of next-gen philanthropists, CEOs, impact investors, changemakers and storytellers from more than seventy countries on six continents. Their mission is to connect, inspire and activate exceptional social innovators and the next generation of influential families around the world.[5]
- ***Gratitude Railroad*** is a community of investors who are inspired and dedicated to solving environmental and social problems through the profitable deployment of financial, intellectual and human capital. They educate investors, host convenings, collaborate with partners and make investments.[6]

1 Mass Nonprofit Network News, Fidelity Charitable, July 2019
2 "How to Use Donor-Advised Funds to Make Impact Investments", Stanford Social Innovation Review, October 25, 2018
3 Toniic: https://www.toniic.com/about/
4 The ImPAct: http://theimpact.org
5 Nexus: https://nexusglobal.org
6 Gratitude Railroad: https://gratituderailroad.com/about

- ***Social Venture Circle*** is a membership network that connects, empowers and finances entrepreneurs, investors, capacity-builders and policymakers in order to build businesses that drive the NEXT economy.[1]

New Products and Platforms

"Retail": While much of the early attention on individual impact investors targeted accredited, HNW individuals and family offices, increasing attention is beginning to turn towards the unmet demand of the 'retail' or individual investors. In 2019, the Rockefeller Foundation published an analysis of this opportunity, noting the same observation: "Early innovations in impact investing catered to accredited and institutional investors. The next frontier for impact investing lies with *mass affluent retail investors*, who are projected to have some $100 trillion in investing power globally by 2020. [2]

That said, these are still early days in tapping into the growing 'retail' appetite for impact investment. As the Rockefeller analysis also notes, there is an ***increasing need*** to develop innovative, scalable products for these retail investors. Specifically, there is a need for:[3]

- ***New investment products*** that attract lower dollar investments (building on the work of Calvert Impact Capital's Community Investment notes[4]) and offer varying risk and rates of return profiles.

The next frontier for impact investing lies with *mass affluent retail investors*

- ***New platforms*** that can connect individual, unaccredited investors with investments. To date, the platforms that have launched to connect 'retail' investors to impact investing opportunities have had mixed success.[5] That said, 'retail' platforms are continuing to emerge, including those in private debt (C-Note, discussed more below) and banking (Aspiration and Good Money), which *may* play an increasingly important role (as they continue to improve) in tapping into retail impact investors.

Opportunity Zones

Another recent development with regards to individuals investors (one geared towards HNW, although not exclusively) is the passage of the Opportunity Zones tax incentive, which was enacted as part of the Tax Cuts and Jobs Act of 2017 to help spur investments in historically underserved communities by incentivizing investors with capital gains tax liabilities to reinvest their gains (estimated at roughly $6 trillion) in "Opportunity Funds".[6]

According to a 2018 report produced by the National Charter School Resource Center, charter schools in forty-four states may be able to access financing through the Qualified Opportunity Zone tax breaks.[7] Another expert noted that if just 'one-tenth of 1 percent' of the estimated $6 trillion in unrealized capital gains in the U.S. went toward charter school development projects, that would amount to "nearly three times the amount of investment that the

1 Social Venture Circle: https://www.svcimpact.org/about/
2 Saadia Madsbjerg, Managing Director at The Rockefeller Foundation, The Impact Imperative, 2019
3 The Impact Imperative, Rockefeller Foundation, 2019
4 Calvert Impact Capital: https://www.calvertimpactcapital.org/invest
5 "Shakeout Highlights an Elusive Factor in Retail Impact Investing Platforms: the ImPact", ImpactAlpha, Hummayun Javed, August 15, 2019
6 LISC OZ Playbook: http://www.lisc.org/opportunity-zones/community-partners-playbook/
7 The Tax Break That Could Fund New Charter Schools, April 23m 2019: City lab https://www.citylab.com/equity/2019/04/charter-school-education-opportunity-zones-tax-incentives/587791/

NMTC spurred over more than a decade."[1]

Many investors are still learning about this program, and charter schools have an opportunity to learn about the details of this program to determine whether it is appropriate for each charter school project, and to educate a new set of investors about the applicability of qualified Opportunity Zone investments in charter school projects. Some early indicators for charter schools to tap into this opportunity may include:

- ***Mixed-Use Focus*** – Sites that can blend schools with other areas – housing, health, food – could be a strong match for capital seeking to support multi-use real estate developments.

- ***Charter School Opportunity Funds*** – Funds focusing on charter schools, helping to scale new schools in high-needs areas or support schools specializing in career and technical education or providing alternative pathways for students in these areas.

More Diversified 'Impact' Portfolios

Finally, similar to foundations, endowments and other institutional funders that are striving to deploy more of their capital toward impact, individual investors (philanthropists) are also beginning to explore the 'range' of investment opportunities at various levels of risk and return. Individuals and families, like Liesel Pritzker Simmons and Ian Simmons' Blue Haven Initiative[2], and networks of individuals and families, such as Toniic's 100% Network, are exploring how they can deploy more of their investments "across all asset classes, in alignment with each investor's social and environmental priorities".[3]

Sites that can blend schools with other areas – housing, health, food – could be a strong match for capital seeking to support multi-use real estate developments

Opportunities for Charter Schools: Individuals

The developments above highlight the ways that both HNW and 'retail' individual investors and philanthropists can become important sources of charter school financing for facilities and other critical needs. Some additional developments that are helping to catalyze investments, and which may be important for charter schools to explore, are:

> ***New Funds*** – With individual philanthropists and investors exploring the use of ***'innovative vehicles'***, such as donor advised funds and LLC structures, to deploy their 'impact' capital, the charter school community has an opportunity to attract new types of funding support. As an example, there is a growing number of DAF plan sponsors (ranging from the largest, Fidelity Charitable, to local community foundations) that are keen to meet their clients' growing interest in employing impact investing strategies.

As Liesel Pritzker-Simmons of Blue Haven Initiative and Ron Cordes of the Cordes Foundation recently noted, the $85 billion dollars currently in DAFs "represents a pool of patient capital that could be put to work now – invested in breakthrough solutions to some of the

1 "Growing Charter Schools Through Federal Opportunity Zones", Adam Peshek, Education Next, May 9, 2018
2 http://www.bluehaveninitiative.com
3 https://www.toniic.com/100-impact-network/

world's biggest global challenges, or allocated side-by-side to support organizations that also benefit from charitable donations."[1]

New Product Development – Building on the success of community notes with Calvert and RSF Finance, charter schools should explore the possibilities of creating specialized retail products, such as The Nature Conservancy (TNC) did in creating a "conservation note", a fixed-income product targeting impact investors that helped attract low-cost and flexible capital.[2] With the help of a $10 million program-related investment from the Packard Foundation, TNC was able to attract an additional $16 million to this program.

New Platforms – While investment platforms have found mixed success in attracting 'retail' impact investing capital, most earlier versions focused on public equities. Today, we are seeing new platforms emerge that target different asset classes. For example, CNote is a new investment platform that helps individuals (and institutions) invest in CDFIs, with 100% of their dollars supporting "small business loans, affordable housing and community development in low-income areas".[3] Charter schools should explore how they might work with – or utilize – similar platforms that could support their facilities and other financing needs. For example, charter schools seeking smaller amounts (less than $1 million) should explore the new and emerging platforms that target retail, or non-accredited, investors.

The $85 billion dollars currently in DAFs "represents a pool of patient capital that could be put to work now"

Join Membership Groups (networks, associations, memberships, learning communities) – Charter schools and their supporters should consider outreach to existing groups in the impact investing space (attending conferences, learning about their investments), and consider launching new ones within the charter school supporter community. It is important for charter schools to not only develop relationships with investors, but also, importantly, educate them about the marketplace to lower any perceived risks or challenges (such as regulations, financing transparency, layered deal structures, etc.).

Strategy #3: Collaborate to Strengthen the Ecosystem

Communicating the full spectrum of the capital needs of charter schools and creating opportunities that meet or match the developments in philanthropic and impact investor demands are two powerful ways that charter schools can begin to position themselves within the broader marketplace of education impact investing. A third strategy that would increase the opportunity for charter schools to access more capital AND better 'position' charter school investments in the broader impact investing landscape would be to collaborate to strengthen the supporting 'ecosystem' and facilitate more coordination among the different actors within it.
In their recent series on "*Place-Based Investing*", the Mission Investors Exchange highlights

1 "The Promise Of Donor-Advised Funds: Toward An Impact Investing Future", Liesel Pritzker Simmons and Ron Cordes, Conscious Company Media, October 10, 2018
2 The Nature Conservancy; the Packard Foundation (https://www.packard.org/insights/grantee-story/the-nature-conservancy-conservation-notes/)
3 https://www.mycnote.com/about-us/

some of the important benefits of coordinating among the key stakeholders in an ecosystem[1], including:

- ***Community knowledge and understanding:*** Working together, ecosystem actors can create a better understanding of community needs, capital flows and capital gaps.
- ***Increasing strength and efficiency:*** Healthy ecosystems can help to identify stronger investment opportunities through additional information and resources. Increased efficiency leads to investments that can cost less and be measured, structured and reported.
- ***Relationship building***: Healthy ecosystems can increase trust, facilitate cross-sector conversations and support coordination. More developed ecosystems can attract a wider variety of investor types (e.g., individual, corporate, government and foundation).
- ***Investee readiness and community connection***: Strong ecosystems offer better support to social entrepreneurs, intermediary organizations, investors and communities. Investees are more prepared and funders are better supported in making an investment.
- ***More resources and infrastructure***: Thriving ecosystems increase the likelihood of developing additional tools, such as platforms or new products, developing that can serve the broader ecosystem.

Strong ecosystems offer better support to social entrepreneurs, intermediary organizations, investors and communities

Building from this framework, this analysis highlights several recommendations for charter schools to create and strengthen a healthy ecosystem collaboratively. These should benefit from further conversations.

Community Knowledge and Understanding

Education

While some research has been done on "education impact investing", most notably by the Open Society Foundation in 2013 and from lenders and other financial service providers, there is a need for more (and more updated) information. The SunTrust Foundation recently launched a series on Innovation in Education with Triple Pundit, which profiles some of their education investments and "takes a closer look at how innovative corporate partnership models can push the education conversation forward.[2]

This is a start, but the charter school ecosystem needs more. Beyond market numbers and the highlighting of innovative models, 'direct' impact investors need to learn more about the benefits and risks of investing in charters schools, and indirect investors need to learn about – and trust – the intermediaries who are structuring and managing the deals.

Two recent, in-depth analyses on specific sectors provide important details on investments and funds that are helping to educate investors and advocate for more impact capital across asset classes in each sector:

1 "Place-Based Impact Investing Ecosystems: Building a Collaboration to Boost Your Effectiveness", Practitioner Brief. Mission Investors Exchange and the Urban Institute, May 2019

2 Triple Pundit, July 2019 (https://www.triplepundit.com/story/2019/us-education-system-ripe-innovation-and-investment-can-help/84386/)

- The ***Croatan Institute***, coordinating with the Delta Institute and the Organic Agriculture Revitalization Strategy (OARS), recently produced an in-depth analysis on financing regenerative agriculture, *Soil Wealth: Investing in Regenerative Agriculture Across Asset Classes*,[1] which highlights 127 investments totaling $321.1 billion that explicitly integrate sustainable food and agriculture in their investment processes.

- ***UpStart Co-Lab***, an intermediary and advocate that works to "create opportunities for artist innovators to deliver social impact at scale", produced an analysis, *Hiding in Plain Sight: Impact Investing in the Creative Economy,* that identified one hundred funds, representing an estimated $60 billion AUM, that have been active in the creative economy.[2] This report helped make the case that investments in the arts are being made and that the creative economy is and should be included as a 'sector' of interest to impact investors.

Educate Investors: The examples above highlight an important opportunity for the charter school community to conduct similar, in-depth research on the variety of ways (or types of funds) that support charter schools, as a way to better communicate the diversity, and the details, that are increasingly important for impact investors. ***Importantly***, the charter school community should also think through how it can best utilize the many specialists (CDFIs, real estate developers, nonprofit lenders and others) in ways that can help inform and encourage investors.

Two recent, in-depth analyses on specific sectors provide important details on investments and funds that are helping to educate investors

Data / Metrics

There have been significant advances in impact measurement and management approaches and systems, as well as in the quality and availability of data, in the past few years that are addressing many of investors' common challenges and demands. For example, the Impact Management Project (IMP) launched as a forum for building global consensus on how to measure and manage impact. After hundreds of conversations with people in the field, the IMP determined that impact can be deconstructed into five dimensions: What, Who, How Much, Contribution and Risk. They are now promoting and encouraging the adoption of this framework in an effort to bring this consensus into wide practice.[3]

Additionally, the GIIN recently launched an updated version of its signature impact measurement system (IRIS+), which is increasingly becoming the "generally accepted system for measuring, managing, and optimizing impact". They are now developing specific metrics on lens (i.e. gender) and sectors, including a recently launched sector focus on education.[4]

1 Croatan Institute: http://www.croataninstitute.org/soilwealth
2 "Hiding in Plain Sight: Impact Investing in the Creative Economy", Upstart Co Labs and Rockefeller Philanthropy Advisors, 2018
3 IMP: https://impactmanagementproject.com/impact-management/what-is-impact/
4 The GIIN: https://navigatingimpact.thegiin.org/education/

Define Impact: With a new breed of impact investors prioritizing investments with demonstrable impacts[1], there is a growing emphasis on defining and measuring the impact of all investments. The charter school community should think through how best to measure and communicate the impact of their investments. Perhaps a first step might be convening stakeholders to discuss and determine the best way to create frameworks and standards customized for charter school investments, while also embracing impact investing industry standards like the GIIN's IRIS+.

Increasing Strength And Efficiency

Product Development

With increasing appetite for impact investments among all asset owners, many sectors are scrambling to determine what products they have – or can create – to match this increasing demand. That said, there is much to learn about this investor demand, as well as the potential to utilize – and improve upon – existing products, as well as develop new ones.

Conducting in-depth, 'in-sector' reports, similar to the ones mentioned above, may help to illuminate the diversity and numbers of impact investing opportunities (products) in each area. For instance, in the Croatan report on 'regenerative agriculture', some of the products they found and highlighted include:[2]

With increasing appetite for impact investments among all asset owners, many sectors are scrambling to determine what products they have – or can create – to match this increasing demand

Cash – In New England, Eastern Bank partnered with Equal Exchange, a worker-owned cooperative, to develop a specialized, three-year CD that would pool capital for a low-interest line of credit to the co-op. The minimum deposit in the Equal Exchange CD is $500, with an interest rate of 0.4 percent across thirty-six months.

Public Fixed Income – In 2014, for example, Community Capital Management committed to investing $50 million in bonds that finance sustainability initiatives in rural economies. It has deployed $28 million of that commitment to date, primarily in high-quality municipal bonds, including a taxable revenue bond issued by the Tuolumne Wind Project Authority.

Private Debt – Craft3, a CDFI loan fund providing loans to businesses, nonprofits and individuals in Oregon and Washington, has invested $57 million in food-related businesses. Craft3's notes have a $20,000 minimum, terms of one to five years, and returns of 1.25 to 3 percent.

Identify and Expand Ways to Invest in Charters: The charter school community should think about doing a deep analysis of the opportunities to invest in charter schools – both facilities and other – that would promote existing investment opportunities to a broader audience and highlight opportunities for further product development. This would be a collaborative effort among several stakeholders.

1 The impactDEALS Forum Impact Investing in Education 2015
2 "Soil Wealth: Investing in Regenerative Agriculture Across Asset Classes", Delta Institute, Croatan Institute, and the Organic Agriculture Revitalization Strategy (OARS), July 2019

Create Targeted Opportunities: The charter school community might also consider how it could design investments with an "attribute focus", targeting high need areas and determining where they may match well with certain investors or philanthropists. These could include areas such as:

- Geography (rural, disaster recovery areas)
- Academic Program (Alternative Ed, Montessori, STEM, Arts)
- Target population (ESOL students, students with disabilities, students of color)

Relationship Building

Connectors

"Connectors" (including intermediaries, advocates, networks, membership/affiliation groups and others) play a critically important role in helping to strengthen an ecosystem. Some examples of connectors that are playing important 'field building' roles in educating, convening, advocacy and relationship development among communities of impact investors include:

A good example of a connector that has effectively helped to introduce a sector into the broader impact investment community is Upstart Co-Lab

- The Opportunity Finance Network (community of CDFIs)
- Living Cities (foundations and financial institutions supporting cities)
- Mission Investors Exchange (foundations interested in impact investing)
- Impact Management Project (convenes a practitioner community of over two thousand organizations to debate and find consensus on technical topics, as well as share best practices)

Connectors can help strengthen existing communities, or even help to 'define' new ones by convening the diversity of actors who care about specific sets of issues or goals. A good example of the latter is Upstart Co-Lab (mentioned above), which has effectively helped to introduce a (new) sector into the broader impact investment community. Founded in 2016 by Laura Callanan, Upstart Co-Lab is a national collaboration connecting artists with social entrepreneurs, impact investors, social enterprises and sustainable companies. Since its launch, the team has led convenings, field research, investment partnerships and, importantly, built and legitimized the arts and 'creative economy' as a sector with compelling impact investment opportunities. Upstart Co-Lab has also helped to move funds. A recent example is its partnership with Small Change, a crowdfunding platform that helps developers finance socially-responsible real estate projects and offers impact investing opportunities direct to everyday investors. [1]

Convene Connectors to Learn About Charter Schools: The charter school community already has a number of established connectors that have the opportunity to build on their work to date and play an important role in 'strengthening' the financial ecosystem of support for charter schools. As a first step, the charter school community should consider hosting a convening to bring together key stakeholders to have a conversation about charter school impact investing and the role of key stakeholders in its ecosystem.

1 https://www.upstartco-lab.org/upstartnews/upstart-update-32/

Develop Strategies to Strengthen the Ecosystem: Convenings, research, advocacy, brokering and more can all play an important role in helping the charter school community attract more, and more diverse, funding to support its growth forward. There are a number of examples within the broader impact investing field (some of which we have noted above) as well as those focused on specific sectors (food, affordable housing, arts) or focused on specific 'issues' (such as gender lens, diverse founders and funders, and good jobs) that provide demonstrative examples of strategies effectively employed to strengthen the ecosystem and catalyze increased investments.

Government Investments

Every ecosystem has the potential for regulatory influence: legislative and policy developments can play an important role in strengthening or changing an ecosystem, and can also help pave the way for more investments. For example, recent regulatory changes are helping increase the ability of impact ventures to fundraise via crowdfunding (the JOBS act), increase the ability of foundations and other nonprofits to own for-profit companies without needing to pay taxes on the revenue they generate ("Newman's Own" regulation) or make program-related investments (PRIs) with more clarity.

Participate in Advocacy Efforts: The charter school community has the opportunity to build on its advocacy efforts to date and think creatively about conversations – and communities – it should join. Highlighted below are a few examples:

The charter school community has the opportunity to build on its advocacy efforts to date and think creatively about conversations – and communities – it should join

Regulatory changes: Participating in conversations about tax-advantageous programs through convenings and learning communities.

Advocacy groups: Joining funder networks (like the Mission Investor Exchange) or other groups that are exploring important changes or expansion of tax incentivized funding streams (such as NMTC or Opportunity Zones), or changes that can impact philanthropic and investment capital that supports charter schools (such as PRIs, MRIs and more).

Market Adjacency: Charters should learn from other sectors that have made inroads in attracting capital from impact investors. For example, market data shows that energy and agriculture are currently two of the top sectors of interest from impact investors. Charter schools should explore if there may be opportunities for collaborative strategies here where they may make good partners, such as with green energy and healthy food initiatives.

Investee Readiness & Community Connection

Accelerators

Accelerators are playing key roles in helping to incubate and support early-stage ventures targeting a variety of impact challenges. There are national/international (Uncharted, Fledge, Mentor Capital Network), region-specific (Village Capital), and local (Mass Challenge in Boston) accelerators, as well as an increasing number of sector-focused (i.e. Ed Tech, Food, Clean Energy, FinTech) accelerators. Accelerators and innovation hubs like the Impact Hub network are also playing a critical role in creating ecosystems of support around specific sectors, or for impact entrepreneurs more generally. Finally, accelerators are increasingly partnering with larger investors, corporations and even the public sector as each of these groups explores new and improved ways to innovate.

> ***Identify and Expand Accelerators and Community Connections***: While initiatives supporting innovative education models, such as the New Schools Venture Fund, Charter School Growth Fund and the City Fund[1] have played – and are playing – an important role in supporting newer models, there is a need for more of the innovation funding that helped launch many of today's brand name CMOs, such as KIPP or Aspire. With so much interest from funders to partner with innovative accelerators and incubators, the charter school community should think through where this model might play a role in helping to support earlier stage charter schools (or innovators within charter schools).

More Resources And Infrastructure

Platforms

There are increasing numbers of platforms emerging that help connect investors with opportunities

Thanks to technology, regulatory changes and the changing nature of financial services, there are increasing numbers of platforms emerging that help connect investors with opportunities. Select examples include:

- *The Opportunity Exchange* (new) – Connects investors to qualified opportunity funds (https://www.theopportunityexchange.com)
- *CapNexus* – Connects organizations/funders to community investment opportunities (https://capnexus.org)
- *C-Note* – Helps individuals invest directly in community development organizations (https://www.mycnote.com)
- *Neighborly* – Helps individuals invest in direct infrastructure investments and managed muni impact portfolios (https://neighborly.com)
- *Small Change* – A crowdfunding platform that helps developers finance socially responsible real estate projects and offers impact investing opportunities direct to everyday investors (https://www.smallchange.com)

> ***Investigate New Investment Platforms:*** With the number of options increasing and the barriers to individual investors decreasing, the charter school community should investigate more platform options that are directly related to their current financing (that is, those that support CDFIs, Muni Bonds, Community Investment and Real Estate), and investigate where they might better take advantage of these platforms.

1 https://chalkbeat.org/posts/us/2018/07/31/the-city-fund-portfolio-model-200-million/

Conclusion

Charter schools have a strong 'investment' story to tell after twenty-five years. Yet, similar to other sectors in 'community investing', such as affordable housing or healthcare facilities, as well as other sectors, like cleantech or healthy food, these types of investments are not always identified as clearly part of the emerging impact investing marketplace.

Several sectors – such as sustainable food, fintech and urban tech – as well as focus areas – such as civic engagement, diverse founders or worker cooperatives – are beginning to benefit from innovators developing powerful innovations AND increasing numbers of impact investors looking for solutions to the impact they seek to have.

Now is the right time for the charter school community to join these other communities and determine strategies to best match the critical financing needs with the existing and emerging interest from impact investors of all types who are keen to support education and innovation.

Charter schools have the opportunity to look at the trends among their current investors and supporters, as well as the overall impact investing landscape, and design their investment opportunities accordingly. They also have the opportunity, similar to some other sectors, to explore ways of strengthening the broader ecosystem of support that may help increase these investments as well.

We hope this analysis serves as a useful introduction to the impact investing market and the trends taking place in education investments and with those funders that support education. We also make a set of specific recommendations for the charter school community to consider, including:

We hope this analysis serves as a useful introduction to the impact investing market and the trends taking place in education investments and with those funders that support education

Strategy #1: Identify, Prioritize and Position the Diversity of Financing Needs for Charter Schools

1. ***Identify the most pressing financing needs*** and think through the different types of capital that might support these needs (i.e. grants, loans, loan guarantees, low interest loans, equity, etc.).

2. ***Prioritize those options*** that represent the greatest needs or may gain the greatest traction based on investor or philanthropists' 'demands', and then **position these priorities** for impact investors, utilizing the broader frameworks, language and impact measures and standards that they are accustomed to (and increasingly) incorporating.

3. ***Publish and share the findings*** to provide a snapshot of the market demand, industry growth and spectrum of investment opportunities.

Strategy #2: Evaluate Investor Trends to Create Opportunities

With Foundations:

4. ***Leverage existing collaborations*** – Foundations' interest in collaborative funding strategies presents an interesting opportunity for charter schools. Charter schools have an opportunity to leverage existing collaborations, or propose new ones, among funders to support much needed facilities financing.

5. ***Develop place-based strategies*** – There is increasing interest in exploring place-based strategies. Given their important roles in local communities, charter schools have an opportunity to explore how they might lead – or join – an investment strategy that targets their specific region.

6. ***Join network communities*** – *A*s foundations and other funders increasingly explore impact investing strategies, there are a number of networks, associations and learning/co-investment communities emerging. The charter school community should be joining these conversations to learn about impact investment funders and providers, meet interested funders of all sizes, explore ways to partner and learn about possibilities for product design.

New platforms are emerging that target a diverse range of asset classes and investors

7. ***Develop diverse 'impact' portfolios*** – As foundations and philanthropists increasing strive to deploy more capital toward impact and create more diverse portfolios (grants, PRIs, and MRIs), the charter school community has the opportunity to both advocate for its more traditional products (loans, notes, tax-exempt bonds) and clarify specific opportunities to support charter schools across a range of asset classes.

With Individual (investors and philanthropists)

8. ***Evaluate New Funds*** – With individual philanthropists and investors exploring the use of 'innovative vehicles', such as donor advised funds and LLC structures, to deploy their 'impact' capital, the charter school community has an opportunity to attract new types of funding support.

9. ***Evaluate New Product Development*** – Building on the success of community notes with Calvert and RSF Finance, charter schools should explore the possibilities of creating specialized retail products, such as The Nature Conservancy (TNC) did in creating a "conservation note", a fixed-income product targeting impact investors that helped attract low-cost and flexible capital.

10. ***Evaluate New Platforms*** – New platforms are emerging that target a diverse range of asset classes and investors. Charter schools should explore how they might work with, or utilize, platforms that could support their facilities and other financing needs, including those that target retail, or non-accredited, investors.

11. ***Join Membership Groups*** (networks, associations, memberships, learning communities) – Charter schools and their supporters should consider outreach to existing groups in the impact investing space (attending conferences, learning about their investments) and consider launching new ones within the charter school supporter community.

Strategy #3: Collaborate to Strengthen The Ecosystem

Community Knowledge and Understanding:

12. ***Educate Investors*** – More in-depth research that could educate direct impact investors about the risks and benefits of investing in charters schools and indirect investors about the intermediaries who are structuring and managing the deals. The charter school community should also think through how it can best utilize the many specialists (real estate developers, nonprofit lenders and others) in ways that can help inform and encourage investors.

13. ***Define Impact*** – The charter school community should think through how best to improve and communicate the impact of their investments. A first step might be to convene stakeholders to discuss and determine the best way to create frameworks and standards customized for charter school investments, while also embracing impact investing industry standards like IRIS+.

Increasing Strength and Efficiency

14. ***Identify and expand ways to invest in charters*** – The charter school community should think about doing a deep analysis of the opportunities to invest in charter schools – both facilities and other – that would promote existing investment opportunities to a broader audience and highlight opportunities for further product development.

The charter school community should think about doing a deep analysis of the opportunities to invest in charter schools

15. ***Create Targeted Opportunities –*** The charter school community should also consider how it could design investments with an "attribute focus", targeting high need areas and determining where they may match well with certain investors and philanthropists.

Relationship Building:

16. ***Convene Connectors to Learn About Charter Schools*** – The charter school community already has a number of supporters who have the opportunity to build on their work to date and play an important role in strengthening the ecosystem of financial support for charter schools. As a first step, the charter school community should consider hosting a convening that brings together key stakeholders.

17. ***Develop Strategies to Strengthen the Ecosystem*** – Convenings, research, advocacy, brokering and more can all play an important role in helping the charter school community attract more, and more diverse, funding to support its growth forward. There are a number of examples within the broader impact investing field that provide demonstrative examples of strategies effectively employed to strengthen the ecosystem and catalyze increased investments.

18. ***Participate in Advocacy Efforts*** – The charter school community has the opportunity to build on its advocacy efforts to date and think creatively about conversations and communities it should join, such as convenings on regulatory changes, advocacy groups on tax incentive funding and more.

Investee Readiness and Community Connection:

19. ***Identify and Expand Accelerators and Community Connections*** – The charter school community should think through where these models might play a role in helping to support earlier stage charter schools and innovators within charter schools.

More Resources and Infrastructure:

20. ***Investigate New Investment Platforms*** – The charter school community should investigate platform options that are directly related to their current financing (such as those supporting CDFIs, Mini Bonds, Community Investment, and Real Estate), and investigate how they can take advantage of the platforms to create investment opportunities that support charter schools.

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Impact Entrepreneur, LLC is a pioneering "impact economy" company, hosting the global Impact Entrepreneur Network of entrepreneurs, investors, scholars and students; curating online and in-person educational programs; producing essential research and thought leadership on impact investing and entrepreneurship; and consulting for companies, investors, educational institutions and others engaged in the social impact space.

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