This case study is one in a four-part series produced by Arabella Advisors as part of its evaluation of the Rockefeller Foundation's program-related investment (PRI) portfolio.

THE Rockefeller Foundation

EVALUATION OFFICE

Disability Opportunity Fund

The Disability Opportunity Fund, a community development financial institution, focuses on providing technical assistance and housing financing to disabled individuals and their families.

ORGANIZATIONAL BACKGROUND

The Disability Opportunity Fund (DOF) is the only nonprofit community development financial institution (CDFI) that specializes in providing technical assistance and financial products to low-income disabled individuals in the United States. It was established in 2008, began lending in 2009, and has now grown to over $7 million in assets and has originated 27 loans in nine different states.

Individuals with disabilities are a particularly vulnerable market segment because federal law requires that adult individuals with disabilities must have less than $2,000 in assets to qualify for Supplemental Security Income (SSI). Therefore, many low-income individuals with disabilities have challenges accessing traditional financial products, such as mortgages. The DOF addresses this need by providing flexible loan products for affordable single-family housing, multi-family housing, schools and vocational centers for disabled individuals. It also provides intensive technical assistance to its borrowers and their families, helping them navigate complex legal and financial challenges related to disability benefits.

INVESTMENT SUMMARY	
Amount	$750,000
Structure	Senior unsecured loan
Date of Investment	December 2011
Terms	10-year tenor 3% interest rate
Financial performance	As expected

THE ROCKEFELLER FOUNDATION'S ROLE AND INVESTMENT

The Rockefeller Foundation was attracted to investing in the DOF because it is the only CDFI that focuses on low-income disabled individuals, and it also represents

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an emerging subsector of disability financing in the impact investing field. When the Rockefeller Foundation invested early in the DOF's second year of operations, its reputation as a major national investor helped enhance the DOF's credibility. This enabled the organization to attract additional PRIs from religious organizations and financial institutions. The Rockefeller Foundation's flexibility in adopting an existing investor's loan terms and covenants reduced legal fees for the investment and enabled the DOF to receive the Rockefeller Foundation's $750,000 loan sooner. Finally, the Rockefeller Foundation's PRI team provided guidance to the DOF's leadership on how to manage its investment portfolio, including recommendations for using loan software and policies for conducting annual site visits with borrowers, which has helped the DOF staff deepen borrower relationships and mitigate risks.

SOCIAL IMPACT

The DOF's loan fund has enabled financing for schools, facilities and housing for disabled individuals. Its technical assistance has been valuable in educating families with disabled children in creating and budgeting for future housing, and its staff's expertise is influencing local and national policy that affects disabled individuals' access to housing and social services.

In the last four years, it has closed $7.75 million in loans in California, Wisconsin, Tennessee, Massachusetts, New York, New Jersey, Connecticut, Virginia and Vermont. The DOF is particularly innovative in this space because its staff's expertise with disability housing enables it to construct affordable loans that can be repaid by low-income individuals with SSI. These loans have enabled disabled individuals to live in single-family or multi-family homes that are both affordable and high quality. The DOF also has provided loans for acquisition, construction and rehabilitation of facilities that serve disabled populations, such as several vocational training centers for young adults with disabilities, including autism spectrum disorder and mental illness.

In addition to its loan fund, the DOF also plays a significant role as a technical assistance provider, offering free financial planning and education to individuals and organizations. Providing this technical assistance sometimes helps the DOF identify potential deals for its fund. The DOF's leadership team is able to provide such assistance thanks to its expertise in disability housing law, especially in its home state of New York. In 2012, the DOF committed 37 hours of free technical assistance to over 45 different organizations and individuals, and led 86 hours of financial planning sessions for both individuals and wider community audiences.

Finally, the DOF has played an important role in influencing broader policy changes in disability services and regulations at the local and national levels. The DOF's leadership has informed policies such as the creation of a research initiative to match housing demand to supply on Long Island, and the State of Virginia's decision to decouple disability housing from social services. In addition, one of the DOF's goals is to make disability financing more mainstream by encouraging additional CDFI investors. The DOF has partnered with several other CDFIs on disability housing deals, thereby educating its CDFI peers about disability housing while also increasing deal flow to the industry.

DISABILITY OPPORTUNITY FUND BY THE NUMBERS

The Rockefeller Foundations's investment has contributed to:

$7,750,000 total funds deployed

27 loans disbursed as of May 2013

17 single family homes created, impacting 78 individuals with developmental disabilities

113 multi-family affordable housing units created

3 vocational training centers that were acquired and rehabilitated to benefit 25 young adults with disabilities, including autism spectrum disorder and mental illness

SOURCE: Social impact data were collected and aggregated based on investee self reports. This included data available in investees' reports to the Rockefeller Foundation, as well as information gathered through interviews, site visits, and surveys. Given that the Rockefeller Foundation invests its PRIs in pooled intermediary funds with co-investors, the social impact achieved by investees may only be partially and/or indirectly attributable to the Rockefeller Foundation.

Rehabilitating a childhood home with the Clarkin family

The Clarkin Family is made up of 12 biological siblings, aged 48 to 64, who were raised in a house in Mineola, NY. Seven of the siblings have developmental disabilities. Due to deferred maintenance and failing building systems in their childhood home, these seven family members were separated into state facilities. Their caretaking siblings wanted to rehabilitate their former home, but conventional lenders found the financing too risky because they were unfamiliar with the siblings' varied sources of earned income and public subsidy, and because construction costs would be greater than the market value of the renovated home.

After learning about the Clarkin family (see box above), a representative from a New York state government agency approached the DOF about financing the necessary repairs. The DOF eventually committed to providing a $50,000 line of credit, secured by the disabled individuals' social security income. The DOF also recruited Habitat for Humanity to donate labor and materials for the house's rehabilitation, and identified federal HOME affordable housing funds for which the project was approved. With the support of the DOF, the home has been renovated, and the disabled Clarkin siblings are now able to live together with support from social service providers.

FINANCIAL PERFORMANCE

Overall, the DOF has strong financial performance and has financed 27 loans totaling $7.75 million. To date, the DOF has not experienced a default or a delinquency, and five of its loans have been repaid in full. Because few CDFIs focus on financing for housing and facilities for disabled people, the DOF has experienced greater demand than it can fulfill and typically deploys any investment capital it receives in 90 to 120 days. The majority of its loans have been mini-perm loans, which provide short-term financing to affordable and disability housing developers until the property is constructed and generating income. The DOF plans to remain a fairly small lending organization, with conservative projections of $1.5 million in yearly growth to reach an asset size of $17 million in five years. Its loan fund is projected to be self-sufficient by 2016.

LESSONS LEARNED

Invest in organizations that can scale their work by informing policy

While the DOF is not a large fund, it can scale its impact by informing policies that better support its work. For example, the DOF's leadership team is part of the Virginia Disability Commission's Work Group on Housing and Transportation, which provides recommendations for the Disability Commission's legislative and budgetary decisions. The DOF has sought to inform policies and programs that decouple the provision of disability housing and services, which improves disabled individuals' quality of life by giving their families the freedom to choose social service providers regardless of whether they live in a state facility or in independent housing. Because the DOF works closely with individual families to provide technical assistance, its team has become expert in legal and financial constraints around disability housing and is well-positioned to inform programs and regulations that promote more effective municipal, state and federal policies.

When working with traditionally underserved groups, finance organizations should strongly consider providing high-touch technical assistance

The DOF's small size and high-touch approach allow it to take on deals that have been deemed too risky by other lenders. Its staff has expertise in structuring affordable deals that can be repaid solely through disabled individuals' SSI. The DOF staff also makes a concerted effort to build deep relationships with its borrowers in order identify and mitigate potential risks early on. Because its technical assistance and education services allow the DOF to take on riskier deals, the DOF has established a pipeline from local and federal agencies that handle disability housing cases that other lenders are unwilling to fund, generating deal flow to the DOF through which it can achieve its goals. The DOF has also exposed other large community lenders to its high-touch approach to disability financing by co-lending with organizations such as the Nonprofit Finance Fund and Community Housing Capital.

ADDITIONAL INSIGHTS FOR INVESTORS

Providing grants alongside debt capital can lead to significant impact for PRI investees, especially small CDFIs

Many PRI investors, including the Rockefeller Foundation, require their CDFI investees to hold one dollar in reserve for every five dollars they make available for lending. While the DOF has been able to access debt capital, raising the matching grant equity has been a significant time investment, especially for the DOF's small staff. In effect, the DOF's ability to lend is limited by the amount of grant capital it has in reserve, which constrains the organization's lending growth. The DOF has experienced challenges in applying for grants even when it has already been vetted and received a PRI from the same organization. By providing grants alongside PRI investments to small CDFIs such as the DOF, investors can enhance the value of the debt capital by reducing the organization's grant fund-raising burden.

About Arabella Advisors

Arabella Advisors helps philanthropists and investors find innovative ways to maximize the impact of their resources. Our team provides research, strategies, and management to help clients make a difference in the issues that matter most to them.

For more information, contact us at info@arabellaadvisors.com.

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THE Rockefeller Foundation

EVALUATION OFFICE

Aavishkaar

Aavishkaar is an India-based social impact fund that promotes inclusive economic development through an enterprise-driven approach.

ORGANIZATIONAL BACKGROUND

Aavishkaar opened its first fund (Aavishkaar I) for investment in October 2001, with a focus on investing in early stage start-up enterprises in rural and semi-urban India, across a wide range of sectors, including agriculture, dairy, health care, water and sanitation, technology for development, education and renewable energy. Aavishkaar I achieved its final close in January 2009 at INR 594 million ($12 million), and the organization has since launched three additional funds: Aavishkaar II, Aavishkaar Goodwell I and Aavishkaar Goodwell II. All funds advised by Aavishkaar (including the Aavishkaar Goodwell funds, which provide equity capital and support to microfinance and financial inclusion companies) build on the early stage enterprise development thesis of Aavishkaar.

INVESTMENT SUMMARY	
Amount	INR 49.3 million ($1 million)
Structure	Limited partnership
Date of Investment	December 2008
Terms	10 years, extendable by 2 years
Financial performance	As expected

THE ROCKEFELLER FOUNDATION'S ROLE AND INVESTMENT

In 2008, the Rockefeller Foundation's program-related investment (PRI) team was exploring innovative opportunities to invest in the dynamic Indian social enterprise market. Aavishkaar was an attractive investment given its focus on investment opportunities in the untapped semi-urban and rural areas, its ability to reach a large number of poorer populations in multiple sectors and its promising management team. The Rockefeller Foundation also hoped to test its hypothesis that some of Aavishkaar's experiences investing in India would be a model for other emerging markets, such as Mexico and Brazil, where the Rockefeller Foundation was working. When the Rockefeller Foundation became

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Sankalp Forum

The Rockefeller Foundation has played a broad role in building the impact investing space in India, including supporting the launch of the Sankalp Forum, an annual forum that links Indian social enterprises with potential investors. An Intellecap Initiative, Sankalp began in 2009 as a conference that connected social enterprises with investors and has since grown to become a year-round community of more than 11,000 stakeholders, including entrepreneurs, investors and policymakers who are involved in catalyzing the social investment market. Throughout the year, Sankalp offers training and workshops for social enterprises to help them refine their business models along with networking opportunities and fundraising support. Aavishkaar continues to participate in the Sankalp Forum which plans to expand to Africa in 2014.

Aavishkaar's first US investor, the Foundation's name and credibility helped attract other international investors such as the David Weekly Foundation, which invested in Aavishkaar after the Rockefeller Foundation shared its due diligence.

SOCIAL IMPACT

Aavishkaar's investments are generating impacts across a wide range of sectors and geographies. In addition to improving lives and livelihoods, many of Aavishkaar's portfolio companies have already had transformative impacts on their respective sectors by delivering products and services in new ways. For example, Milk Mantra is promoting rural farmers' livelihoods through the creation of a quality milk product brand. With support from Aavishkaar, Milk Mantra is working with more than 6,000 rural farmers who bring milk to its collection center. Milk Mantra has also recently moved to more value-added products such as yogurt, which command a higher price. Dah Bhuj, an artisan company in the western state of Gujarat serves as a procurement hub for larger retailers, and

SECTOR	AAVISHKAAR BY THE NUMBERS THE ROCKEFELLER FOUNDATION'S INVESTMENT HAS CONTRIBUTED TO:
Technology for development/IT	618 ATMs and 272 solar ATMs placed in rural and semi-urban areas, with more than 498,134 people accessing financial services 1.25 million ATM users benefitting from 543 urban, 283 semi-urban and 119 rural ATMs deployed, operated and managed on behalf of 26 public sector banks in Maharashtra
Microfinance & financial inclusion	4.76 million active clients have accessed financial services, with over 84% of borrowers being women
Handicrafts	4,300 artisans holding shares in handicrafts business
Agriculture, dairy & rural distribution	10,205 dairy farmers contributing to organized dairy supply chains 220 benefiting from organized farming and supply chain management for the development of high quality horticultural plantations for export and domestic markets
Healthcare, water & sanitation	418,238 patients (44,012 in-patient and 374,226 out-patient) receiving quality affordable healthcare through a chain of semi-urban and rural hospitals 2,965 portable toilet cabins being utilized, with 89,760 people accessing clean and safe sanitation 2,158 water purification systems installed and providing potable drinking water to rural and underserved communities, reaching more than 1.2 million people
Renewable energy	568,050 households have gained access to affordable and energy-efficient cooking solutions

SOURCE: Social impact data were collected and aggregated based on investee self reports as well as data available in Aavishkaar's 2013 Annual Report, investees' reports to the Rockefeller Foundation, as well as information gathered through interviews, site visits, and surveys. Given that the Rockefeller Foundation invests its PRIs in pooled intermediary funds with co-investors, the social impact achieved by investees may only be partially and/or indirectly attributable to the Rockefeller Foundation. The statistics cited are illustrative and do not include the full social impact of Aavishkaar's activities.

its 300 artisans are also shareholders in the company. Finally, with the support of Aavishkaar and other investors, Vatsayla Healthcare has grown from two to 15 hospitals, significantly expanding basic and affordable health care in rural and semi-rural areas.

FINANCIAL PERFORMANCE

Aavishkaar I has demonstrated strong financial returns and has met all of the Rockefeller Foundation's PRI agreement requirements. As of the third quarter of 2013, Aavishkaar had draw down INR 594 million or the total fund commitment. Of Aavishkaar I's 23 investments, 14 remain active and nine have been exited or written off. The average investment size across the active investments is INR 21.25 million ($311,865). Aavishkaar expects to have a 12–15 percent return on investment on the fund overall. Current portfolio company performance investments are listed in the table below.

Portfolio companies

SECTOR	NUMBER OF COMPANIES	INVESTMENT AMOUNT (INR MILLIONS)
Technology for development/IT	5	115.5
Handicrafts	5	32.6
Agriculture, dairy & rural fdistribution	4	96.5
Healthcare & hygiene	6	134.6
Renewable energy	2	2.4
Education	1	50
Total	23	431.6

LESSONS LEARNED

Consider whether or not to allow outside investors on your investment committee

Nearly 11 years after it began, Aavishkaar's senior management still does not allow any investors to sit on its internal investment committee or play a direct role in making investment decisions. The work Aavishkaar does is so unique and locally specific, its investment committee is better positioned to make good decisions versus external investors.While Aavishkaar has experienced a great deal of success with this model, the organization is open to adjusting its approach as it expands into geographies and issue areas where the current team has more limited experience.

Employees of Saraplast, an Aavishkaar portfolio company, help sanitize an outgoing shipment of toilets.

Recognize that a good idea isn't enough for a successful business

Aavishkaar learned during Aavishkaar I that successful investments required more than a good business idea. Fund managers had to write off a handful of investments as entrepreneurs with good ideas were not willing to stick out the ups and downs of working in

a start-up environment. Today, Aavishkaar seeks out entrepreneurs who are patient and resilient during downturns but also highly confident and driven. In addition to its approach to selecting entrepreneurs, Aavishkaar's portfolio managers benefit from a decentralized decision-making structure that allows them to work closely with their investees and help shape and inform their business plans. Aavishkaar's criteria for choosing entrepreneurs and willingness to let portfolio managers make key decisions has led to a great deal of financial success and portfolio company growth, which has generated greater social impacts.

Be prepared for rapid growth and expansion

Portfolio companies required larger investments than initially anticipated. Aavishkaar's early concerns about portfolio companies' ability to absorb funds proved unfounded. Many of its portfolio companies, including Vatsalya, came back for additional funding sooner than expected. The Aavishkaar team had to go out and raise money from other investors, which was challenging given that social venture capitalism was a relatively new phenomenon. Today, Aavishkaar makes much larger initial investments in many of its portfolio companies and then works closely with them during the growth and development of their business.

ADDITIONAL INSIGHTS FOR INVESTORS

Impact investments in India remain predominately in urban centers

India continues to experience a deep urban-rural divide when it comes to where social enterprises are incubated. Many impact investors prioritize rural areas but experience difficulties finding local entrepreneurs and investable opportunities. In Aavishkaar's experience, successful social businesses often operate in peri-urban areas with a rural market. Aavishkaar continues to invest in rural areas often dedicating added time and resources to help these investees succeed. However, to help reach individuals in the most remote and rural areas, grants are often still required.

Indian social enterprises find it easier to access equity than debt

Representatives from Aavishkaar's portfolio companies and a number of local stakeholders in the social investment market indicated that debt financing is significantly harder to find than equity investments. Organizations indicated they would appreciate more debt financing and debt with longer terms. Many also highlighted the challenges of operating as a for-profit business in the social sector and said grant funds would be incredibly valuable for scaling work, but were hard to attract given that the enterprises weren't NGOs.

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THE Rockefeller Foundation

EVALUATION OFFICE

Juhudi Kilimo

Juhudi Kilimo provides asset financing to farmers. Although it has had to work through challenges with its investors, it has still grown its lending portfolio over the past two years and expects to be positioned for even greater growth and impact in the coming year.

ORGANIZATIONAL BACKGROUND

Established in 2009, Juhudi Kilimo (Juhudi) is a Kenyan-based microfinance institution (MFI) that provides financing to smallholder farmers and enterprises for a diverse range of income-generating assets including dairy cows, milk pans, chaff cutters and cooling units. The Juhudi lending model was originally launched and tested in 2004 as an initiative of the Kenya Rural Enterprise Program Development Agency, a nonprofit microfinance organization which formally spun off the micro-asset lending function of its work to establish Juhudi as a for-profit social enterprise. Like many MFIs, Juhudi uses a group lending model to encourage a culture of financial responsibility and enhance repayment rates, with the group also serving as a social network of peer-support and assistance.

INVESTMENT SUMMARY	
Amount	$750,000
Structure	Senior unsecured loan
Date of Investment	December 2011
Original terms	6-year tenor 11% interest rate
Financial performance	Below expectations

THE ROCKEFELLER FOUNDATION'S ROLE AND INVESTMENT

The Rockefeller Foundation was initially attracted to Juhudi Kilimo's unique approach to microfinance for farmers in East Africa. The Rockefeller Foundation saw furthering Juhudi's transformation from nonprofit to social enterprise as an opportunity to achieve even greater impact.

In 2011, the Rockefeller Foundation provided Juhudi with a senior unsecured loan. This was done in coordination with a number of other investors including Acumen, the Grameen Foundation and the Ford Foundation.

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SOCIAL IMPACT

Juhudi maintains a strong commitment to its social mission. It employs social impact measurement systems at various levels to understand its contributions to clients' lives and to report back to investors and stakeholders. It is a certified B-Corporation with a Global Impact Investing Rating System rating, and it uses the social audit tool *Comité d'Echanges de Réflexion et d'Information sur les Systèmes d'Epargne-crédit* (CERISE) to report performance. These systems are informed by the outputs Juhudi tracks internally, such as the number of loans made, percentage of women customers, number of repeat customers, and other data about loan quality and repayment. Juhudi also takes its social impact measurement efforts a step further, using the Grameen Progress out of Poverty Index to understand actual outcomes on livelihoods and the national poverty line assessment to understand the relative poverty rate of Juhudi's clients.

While Juhudi is still a relatively new organization, it has already impacted more than 2,400 farmers as a result of the Rockefeller Foundation's loan, many of them women. Before self-help groups can officially become Juhudi partners, Juhudi often asks them to add women to the lending groups, so that women will be actual participants and take loans. As a result, approximately 50 percent of Juhudi loan recipients are women. In a country such as Kenya, women have limited access to land ownership and often struggle to be equal participants in household decision-making. Owning assets empowers them as producers and helps them support their families.

JUHUDI BY THE NUMBERS

The Rockefeller Foundation's investment has contributed to:

$350,000 loans originated*

600 farmers directly benefiting from assets funded through the Rockefeller Foundation's investment

936 loans disbursed as of January 2013

16,747 active clients as of January 2013

9,711 active borrowers as of January 201 3

SOURCE: Social impact data were collected and aggregated based on investee self reports. This included data available in investees' reports to the Rockefeller Foundation, as well as information gathered through interviews, site visits, and surveys. Given that the Rockefeller Foundation invests its PRIs in pooled intermediary funds with co-investors, the social impact achieved by investees may only be partially and/or indirectly attributable to the Rockefeller Foundation.

*$350,000 of the $750,000 loan was disbursed as of January 2013.

FINANCIAL PERFORMANCE

Juhudi is experiencing success with its current loan portfolio and has managed to attract and creatively use diverse forms of capital, from grants to commercial financing. As of March 2013, Juhudi had $4.2 million outstanding in 10,494 loans, with an average loan size of $400. Ninety-three percent of loans were current, and only 6.6 percent had principal past due. Juhudi expects to make between 18,000 and 20,000 loans in 2013 and is predicting double digit growth in clients for 2014

and 2015. Juhudi has used its philanthropic grants to support capacity building, technical assistance and social performance measurements, all of which have helped it succeed. Staff training on managing loan delinquency has led to better repayment rates, and investment in R&D is helping Juhudi diversify its products and services.

Despite its success, Juhudi's loan originations were below deployment targets in 2012 and part of 2013, largely due to challenges among its primary investors. Even though Juhudi was approved for investment by the Rockefeller Foundation by November 2010, the legal documents were not finalized until December 2011 because a group of its co-investors, in conjunction with Juhudi, spent a significant amount of time discussing the appropriate capital structure for the organization. Specifically, there were multi-party negotiations of investors' terms and of an intercreditor and subordination agreement. The first tranche of funding from the Rockefeller Foundation was disbursed in April 2012.

LESSONS LEARNED

Investments in staff, systems and processes are paying long-term dividends

Juhudi is committed to performance-based management and invests heavily in training and developing staff. Since changing from nonprofit to for-profit, Juhudi has established key performance indicators (KPIs) at all business levels, and staff are incentivized to meet their KPIs though a performance-based system. Senior leaders receive executive training through outside organizations, while mid-level and other staff members receive on-the-job leadership and supervisory training as well as loan compliance training.

Recipients of financial assistance may need special training

Many of Juhudi's clients require technical assistance and capacity building to ensure they benefit properly from the assets they finance through Juhudi. Given that training farmers at scale is very expensive, Juhudi is exploring ways to assist the farmers. Where possible, Juhudi loan officers help lending groups identify those group members (or members of nearby groups) who

have specialized agriculture expertise and can assist and train peers. Juhudi also maintains good relationships with the Agricultural Ministry whose extension officers often do training as part of the ministry's programming. Finally, Juhudi recently received a grant from the Ford Foundation to build specific agricultural training. Determining the appropriate financial model and mix of capital for supporting training will be critical to Juhudi's sustainability and growth.

Product diversification and customization is leading to greater growth and sustainability

In addition to expanding its client base, Juhudi is also making its business model more sustainable by actively testing and marketing new products such as transportation loans, greenhouses and irrigation products. Juhudi is also monitoring differences in client behavior and lending preferences. For example, Juhudi is finding that in comparison to men who often take large loans, women are requesting multiple smaller loans and feel more comfortable focusing on discrete projects. Juhudi's loan officers are trained to recognize the unique needs of women and ensure that the products, financing and technical assistance women clients receive are customized and appropriate.

A single reputable investor can be critical for raising capital

Initially, Juhudi found it challenging to raise capital. Traditional grant funders were uncomfortable investing in a for-profit enterprise, and larger investors

had concerns about Juhudi's still-untested business model. As a result, Juhudi focused on a small group of social investors and worked closely with Kiva, a nonprofit organization that allows people to lend money over the Internet to people in developing countries. Kiva's extensive due diligence on Juhudi, including a financial and operational review as well as field visits, helped Juhudi attract both program- and mission-related investments from a range of institutional funders, allowing Juhudi to begin lending at a much larger scale.

ADDITIONAL INSIGHTS FOR INVESTORS

Support efforts to shape the regulatory environment

As it looks to the future, Juhudi is playing an active role in shaping the regulatory environment for lending in Kenya. Juhudi's investors are also supporting this journey by providing other forms of capital and recognizing the importance of CEO Nat Robinson's participation in industry networks and forums, such as the Association of Microfinance Institutions, where he is helping to push for better transparency and regulations in the field. Investors should continue to support and encourage investee's efforts to be involved in industry associations and networks that influence the environment in which businesses are operating.

Build on grant-based programmatic experience when making investments

Early on, Juhudi experienced a great deal of back and forth with investors who were less familiar with the Kenyan agricultural market and the importance of the dairy cow in farmers' livelihoods. Philanthropic investors can draw on the experience of program officers and staff working on programmatically aligned grant initiatives in the due diligence stage and when developing loan covenants.

David Tarus: Improving his livelihood with support from Juhudi

David Tarus began farming 1991, with a half acre of land. Before becoming a Juhudi client, he struggled to provide a livelihood for his family. While he was able to reinvest some of what he earned each year into additional acreage, Tarus was never able to generate a significant income. Juhudi's financing helped him break the cycle of poverty and expand his farm. He began with a small loan to purchase a water pump to help irrigate his fields in the dry season. Since repaying this loan, Tarus has taken multiple additional loans for dairy cows, seeds and fertilizers, a mill and a greenhouse. Each Juhudi loan helped Tarus diversify his production and stabilize his income, allowing him to expand his business. Juhudi's agricultural extension team also provided technical assistance and training. Today, Tarus produces tomatoes, along with milk, maize and flour, all of which he sells to his community and the major supermarkets in Kitale. His next priority is to expand his greenhouse so he can serve his clients year round.

About Arabella Advisors

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THE Rockefeller Foundation

EVALUATION OFFICE

The New York City Acquisition Fund, LLC

The New York City Acquisition Fund, the city's largest affordable housing fund, has made a significant impact by funding thousands of affordable housing units in New York City and by creating an innovative, layered-capital model that has since been replicated to provide housing for underserved populations in several cities around the country.

ORGANIZATIONAL BACKGROUND

Launched in 2006 as a $192 million multi-investor capital pool, the New York City Acquisition Fund, (NYCAF) provides low-cost and flexible loans to nonprofit and for-profit affordable housing developers within the five boroughs of New York City. The housing developers use NYCAF's capital to purchase vacant land or distressed residential properties for the creation or preservation of affordable housing for low-income households. NYCAF was renewed in October 2013 for a $125 million fund with many of the original investors.

NYCAF has a layered-capital structure that includes capital from a consortium of 16 commercial lending institutions, six foundations and the city of New York. It is co-managed by two national housing organizations: Enterprise Community Partners (Enterprise), and the National Equity Fund, a subsidiary of the Local Initiatives Support Corporation (LISC). Four nonprofit community lenders, including Enterprise, LISC, Corporation for Supportive Housing, and Low Income Investment Fund, evaluate loan requests and service NYCAF loans. Forsyth Street Advisors, LLC serves as the fund's manager and oversees its day-to-day operations.

ORIGINAL INVESTMENT SUMMARY	
Amount	USD $5,000,000
Structure	Loan guarantee
Date of Investment	August 2006
Original terms	10-year tenor 1% interest rate
Financial performance	As expected

THE ROCKEFELLER FOUNDATION'S ROLE AND INVESTMENT

The Rockefeller Foundation played a key role in the creation of the fund at a time when the city's affordable housing developers were dealing with a scarcity of available development sites and intense market com-

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petition. The Rockefeller Foundation recognized that a single loan fund providing flexible, low-cost capital to the city's affordable housing developers would be the most effective way to enable them to secure funding quickly and to compete with for-profit developers.

The Rockefeller Foundation funded the initial research and development of the capital model in 2006, including a feasibility study. It then convened representatives from Enterprise, LISC and nine foundations, and developed the details of an agreement that balanced each party's risk and capital. With the Rockefeller Foundation leading the charge, the foundations pledged $32 million in PRI capital and the city of New York pledged $8 million to create a $40 million guarantee pool. The guarantee pool enabled NYCAF to secure senior loan investments from private banks that ultimately totaled $192 million of capital for lending.

SOCIAL IMPACT

NYCAF has financed thousands of units of affordable housing in New York City, and its model is now being replicated to support affordable housing in cities across the country. In New York City, the fund has originated over 40 loans, leading to the creation or preservation of over 5,800 units of affordable housing. Of those units, 41 percent provide housing for individuals living on less than 50 percent of the area median income (AMI).

NYCAF continues to have a broad impact via its innovative and transferable model, which has been replicated to support the development of affordable housing in Los Angeles, Denver, San Francisco Bay Area and New Orleans. As in NYCAF's case, a national foundation took the initial lead in each city, e.g. the Ford Foundation in Denver and the John D. and Catherine T. MacArthur Foundation in Los Angeles. From presenting the theory to implementing the model, each encouraged regionally focused foundations to participate and adapt the model to suit each city's needs. The layered-capital model has enabled public, private and foundation dollars to work together by accounting for the risk appetites of each player. In 2008, NYCAF was named a winner at the annual Innovations in American Government Awards Program at the Harvard Kennedy School.

NYCAF BY THE NUMBERS

The Rockefeller Foundation's investment has contributed to:

43 project loans

$220,316,114 of project loan commitments

5,871 total units financed

2,409 units between 51 and 60% AMI

2,391 units below 50% AMI

1,502 low-income rental units

322 mixed-income rental units

64 mixed-income home ownership
- 1,199 units of supportive housing
- 2,784 units preserved

SOURCE: Social impact data were collected and aggregated based on investee self reports. We used data available in investees' reports to the Rockefeller Foundation, as well as information gathered through interviews, site visits, and surveys. Given that the Rockefeller Foundation invests its PRIs in pooled intermediary funds with co-investors, the social impact achieved by investees may only be partially and/or indirectly attributable to the Rockefeller Foundation.

FINANCIAL PERFORMANCE

NYCAF has performed well financially. The fund has closed over $220 million in over 40 project loans since its inception. Its only delinquency amounts to less than 1.5 percent of the total outstanding loans. The portfolio performed very well during the recent economic downturn, although it required adjusted management, such as more careful project selection and extensions on some loans. When the fund's investments were renewed in October 2013, the guarantee pool from foundations and the city's investment was resized to $28.8 million in credit enhancements for $125 million in leveraged bank commitments.

LESSONS LEARNED

Philanthropic investors are uniquely positioned to convene partners across sectors

Thanks to their expertise in different issue areas as well as their relationships and credibility with a diverse set of stakeholders, philanthropic investors are uniquely positioned to bring people from different sectors together.

Financing affordable housing for seniors at Serviam Gardens

Serviam Gardens was constructed in 2009 as an affordable apartment building for seniors. NYCAF enabled Enterprise and a nonprofit housing developer, the Fordham Bedford Housing Corporation, to complete this project by lending $3.6 million in acquisition and predevelopment financing to purchase the land. Without NYCAF financing, Enterprise would have needed significantly more time to put the funding together, and construction would not have started as early as it did. Serviam Gardens houses 250 seniors, 243 of whom qualify for government housing subsidies, at a cost of less than $1,000 per month each. They receive a suite of support services such as a social services coordinator, an on-site nurse, and free tax services.

In creating NYCAF, the Rockefeller Foundation was able to convene public and private partners and develop a model that addressed their concerns thanks both to its relationships with various parties and to its understanding of their structures, processes and needs. As a result of the convening, NYCAF was able to create a more efficient and effective vehicle for deploying resources and served as a model for other cities.

ADDITIONAL INSIGHTS FOR INVESTORS

Philanthropic investors should consider the broad capital structure of an initiative and assess where they can most strategically fill gaps

Foundations and other philanthropic investors typically have more agility and flexibility than other private or public institutions thanks to their ability to make a range of investments, such as grants and impact investments, and because of their cross-sector relationships. When entering into a partnership, they should consider how best to position their investments, given both their own tolerance for risk and their comparative flexibility to fill gaps that other partners may find more difficult. In the case of NYCAF, philanthropic investors were able to offer a guarantee that reduced the risk for commercial investors, leveraging more than $190 million in investment from commercial banks. This created a significantly larger fund than any individual player could have offered.

As investors employ new investment vehicles, they should be prepared to respond to changing policy and regulatory environments

Philanthropic investors should have a clear understanding of the policy and regulatory environment in which they work, how it is impacting grantees and investees, and how their own investment packages fit in. For example, New York City's housing policy has recently been evolving to encourage mixed-income housing. This limits the flexibility investors and investees have in their programming and investment tools because defining the charitability of investments in mixed-income housing projects can be more complex than defining the charitability of investments in affordable housing projects. NYCAF worked closely with intermediaries to identify units of affordable housing within mixed-income developments. Thus, when certain properties went on sale, the city was able to make a case for them being low-income housing. Moreover, by providing nonprofit developers with the capital to compete with for-profit developers for these units, the fund enabled the creation of more mixed-income housing developments that served low-income people.

About Arabella Advisors

Arabella Advisors helps philanthropists and investors find innovative ways to maximize the impact of their resources. Our team provides research, strategies, and management to help clients make a difference in the issues that matter most to them.

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