

## PROGRAM-RELATED INVESTMENTS (PRIs)

*To expand the reach of its grantmaking, the MacArthur Foundation makes low-cost loans and equity investments, known as program-related investments, to support charitable organizations and activities. PRIs are a powerful tool for private foundations to strengthen social enterprises and support projects that are too risky, complex, or small for conventional investors.*

### AT A GLANCE

- Like grants, program-related investments are used to support organizations, projects, or commercial ventures that fulfill recognized charitable purposes, such as child-care centers serving low-income families, affordable housing, and arts organizations. However, unlike grants, PRIs are designed to be repaid with a modest amount of interest or other financial return.
- From 1986 through 2009, MacArthur awarded PRIs totaling \$377 million to 214 recipients in the U.S. and abroad. Since the program began, the Foundation has received more than \$140 million in interest payments and repaid principal.
- Most of MacArthur's program-related investments go to mission-driven loan funds and nonprofit housing organizations committed to increasing economic opportunity and strengthening low-income communities across the U.S. PRIs also have been used in other areas of the Foundation's grantmaking, including women's health, environmental conservation, and independent media.

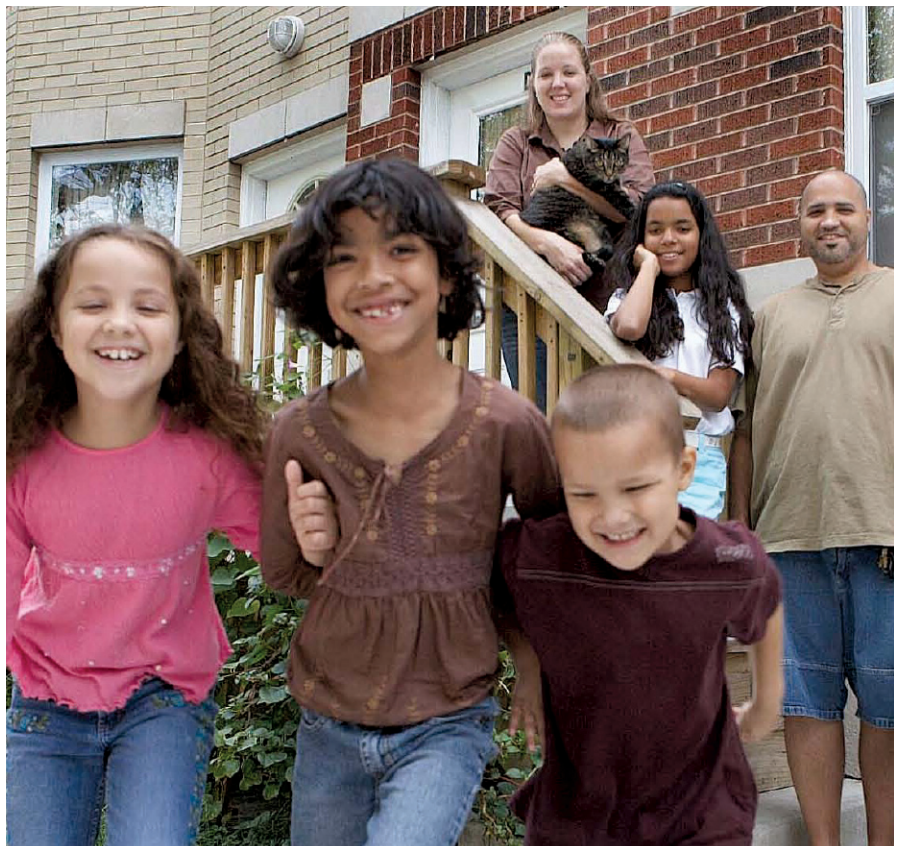


Photo courtesy of Hispanic Housing Development Corp.

### BACKGROUND

Since 1986, the MacArthur Foundation has used program-related investments to expand the reach of its grantmaking, providing approximately \$377 million to over 214 recipients in the U.S. and around the world. Foundation PRIs have supported nonprofits, for-profit businesses and special-purpose funds in a range of fields, including health, conservation, education, independent media, affordable housing and development finance. The vast majority have been directed toward increasing economic opportunity among low-income people and fostering vibrant, stable communities in the U.S.

PRIs can be made in the form of loans, equity investments, bank deposits and guarantees. Like traditional grants, the investments are used to support charitable organizations, projects or commercial ventures that fulfill an IRS-recognized charitable purpose. Unlike grants, PRIs are designed to be repaid to the donor, usually along with a modest amount of interest or other type of financial return. Recipients must be able to generate revenue through fees, earned income, or public subsidies to repay PRIs. For example, owners of affordable rental housing can repay the investments with income from monthly rental payments.

Established as a result of changes in the federal tax code in 1969, program-related investments have become increasingly popular with foundations as part of a larger social investing strategy or simply as a way to expand the reach of traditional grantmaking programs.

### BENEFITS OF PRIs

PRIs have several benefits for foundations and recipients that grants do not provide:

- Foundations can redistribute the funds or replenish their endowments once PRI loans and investments are repaid;
- The repayment requirements of program-related investments allow recipients to establish their creditworthiness to other, more traditional investors; the requirements also heighten financial discipline

and accountability, which helps strengthen business practices of both for-profit and nonprofit recipients; and

- Recipients can leverage capital from public and private investors by using PRIs to absorb real or perceived risk.

### WHAT MACARTHUR FUNDS

The Foundation's PRIs currently support three grantmaking goals in the U.S.:

- **Preserve affordable rental housing.** As part of MacArthur's \$150-million Window of Opportunity initiative to preserve affordable rental housing across the country, PRIs support the work of 21 large nonprofit housing developers and 18 specialized financial intermediaries. These investments aim to finance the preservation and improvement of 300,000 units of affordable rental housing over 10 years. In addition to supporting this large-scale demonstration, the Foundation has made grants to support policy groups, public-private partnerships and research, all with the goal of fostering policies that facilitate and sustain timely, cost-effective preservation of affordable rental housing.

For more information, including a list of Window of Opportunity recipients, visit [macfound.org/window/brochure](http://macfound.org/window/brochure).

- **Revitalize and strengthen Chicago communities.** Since 2005, the Foundation has committed PRIs totaling \$65 million to stimulate public and private sector investment in Chicago neighborhoods and thereby advance the work of the MacArthur-supported New Communities Program. These commitments include support for seven leading community development financial institutions, \$10 million to help finance the transformation of Chicago's troubled public housing into new, mixed-income communities, and \$42 million for a special Foreclosure Prevention and Mitigation Project.

For more information visit [macfound.org/foreclosure](http://macfound.org/foreclosure) and [macfound.org/chicago/pdf](http://macfound.org/chicago/pdf).

- **Increase the scale and impact of the nation's leading community development financial institutions.** MacArthur has been a leading supporter of community development financial institutions (CDFIs), providing approximately \$250 million in grant and PRI support since the mid-1980s. Community development financial institutions help expand economic opportunity among low-income people and communities by providing appropriate and affordable financial products and services. In the U.S. today, there are 1,200 CDFIs,

### A SNAPSHOT OF CDFIs

Community development financial institutions (CDFIs) help create stable, vibrant communities. The accomplishments of CDFIs in the U.S. during 2007 alone included:

- **\$25 billion:** Assets under management
- **\$5.3 billion:** Dollar value of financing and financial services provided
- **9,000:** Businesses assisted
- **34,000:** Jobs created or maintained
- **57,000:** Affordable housing units built or preserved
- **687:** Child care, school, and other facilities built or renovated
- **30,000:** Mortgages and affordable alternatives to payday loans provided
- **7,800:** First-time bank accounts for low-income customers

*Source: 2007 CDFI Data Project / Opportunity Finance Network*



Jeff Brown, President of Brown's Super Stores, with community resident Maggie Powell at the ShopRite of Island Avenue in Philadelphia, which was financed by a MacArthur-backed CDFI.

**NATIONAL CHURCH RESIDENCES**  
*Columbus, OH*

\$3,000,000 program-related investment to support preservation of affordable rental housing across the United States as part of the Window of Opportunity: Preserving Affordable Rental Housing initiative

**NATIONAL COMMUNITY STABILIZATION TRUST**  
*Washington, D.C.*

\$3,000,000 program-related investment to launch the National Community Stabilization Trust as part of the Foreclosure Prevention and Mitigation Project

**NEIGHBORHOOD HOUSING SERVICES OF CHICAGO**  
*Chicago, IL*

\$9,000,000 program-related investment guaranty and loan in support of the Homeownership Retention and Neighborhood Preservation Loan Program, a \$110 million financing pool for home mortgages in low and moderate income communities

**NETWORK FOR OREGON AFFORDABLE HOUSING**  
*Portland, OR*

\$4,000,000 program-related investment for short-term acquisition financing to preserve affordable rental housing in Oregon

**NEW YORK CITY ACQUISITION FUND**  
*New York, NY*

\$5,000,000 in support of a guaranty pool backing \$150 million in new private sector financing for housing developers seeking to build and preserve affordable housing throughout New York City

**OPPORTUNITY FINANCE NETWORK**  
*Philadelphia, PA*

\$25,000,000 program-related investment in support of major funding for ten premier community development financial institutions that will be selected through the NEXT Awards for Opportunity Finance, which is jointly funded by the Wachovia Wells Fargo Foundation

which include revolving loan funds, venture funds, banks and credit unions. Together, these financial institutions deliver an estimated \$5 billion annually in loans, investments, and financial services to urban, rural, and Native Communities. The Foundation awarded its largest program-related investment ever — \$25 million — to create the NEXT Awards for Opportunity Finance in 2007. A partnership with Wells Fargo Wachovia Foundation and the Opportunity Finance Network, this five-year program makes large, one-time annual awards to outstanding CDFIs to help them grow and increase their impact.

For more information, visit [www.nextawards.org](http://www.nextawards.org)

**REPRESENTATIVE PRIs**

**BRIDGE HOUSING CORPORATION**  
*San Francisco, CA*

\$3,000,000 program-related investment to acquire and preserve affordable rental housing, as part of the Window of Opportunity: Preserving Affordable Rental Housing initiative

**COMMUNITY INVESTMENT CORPORATION**  
*Chicago, IL*

\$1,000,000 program-related investment in support of a new “energy savers” loan fund for the Preservation Compact of Cook County

**GREATER MINNESOTA HOUSING FUND**  
*St. Paul, MN*

\$600,000 program-related investment for a revolving loan fund to finance affordable housing preservation in Minnesota outside the Twin Cities

**GULF COAST HOUSING PARTNERSHIP**  
*New Orleans, LA*

\$1,500,000 program-related investment to support the production and preservation of 10,000 affordable homes in the Gulf Coast region

**IOWA FINANCE AUTHORITY**  
*Des Moines, IA*

\$2,000,000 program-related investment for predevelopment and energy-efficiency improvement loans to preserve affordable rental housing in Iowa

**MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**  
*Crownsville, MD*

\$4,000,000 program-related investment for short-term predevelopment and acquisition financing to preserve affordable rental housing near military bases in eight counties

**MERCY HOUSING LAKEFRONT**  
*Chicago, IL*

\$1,750,000 program-related investment to support the preservation of affordable rental housing in the Chicago area as part of the Window of Opportunity: Preserving Affordable Rental Housing initiative

## ADDITIONAL RESOURCES

**PRI Makers Network:** [www.primakers.net](http://www.primakers.net)

**“Program-Related Investing: Skills and Strategies for New PRI Funders,”**  
a Grantcraft publication: [www.grantcraft.org/index.cfm?](http://www.grantcraft.org/index.cfm?)

**The More for Mission Campaign, Hauser Center for Nonprofit Organizations, Harvard University:** [www.moreformission.org](http://www.moreformission.org)

**Opportunity Finance Network:** [www.opportunityfinance.net](http://www.opportunityfinance.net)

**Center for Housing Policy:** [www.housingpolicy.org](http://www.housingpolicy.org)

**New Communities Program:** [www.newcommunities.org](http://www.newcommunities.org)

**Cook County Preservation Compact:** <http://chicago.uli.org>



Students at Mastery Charter School in Philadelphia, which was financed by a MacArthur-backed CDFI.

Photo courtesy of The Reinvestment Fund

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## About the MacArthur Foundation

The John D. and Catherine T. MacArthur Foundation supports creative people and effective institutions committed to building a more just, verdant, and peaceful world. In addition to selecting the MacArthur Fellows, the Foundation works to defend human rights, advance global conservation and security, make cities better places, and understand how technology is affecting children and society.

**For more information, or to sign-up for our free electronic newsletter, please visit [www.macfound.org](http://www.macfound.org).**

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