

# Evaluating the Impact of Opportunity Zones Investments

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*with guest speakers*

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**CATALYST**  
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**OZ Webinar Series**

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# Agenda

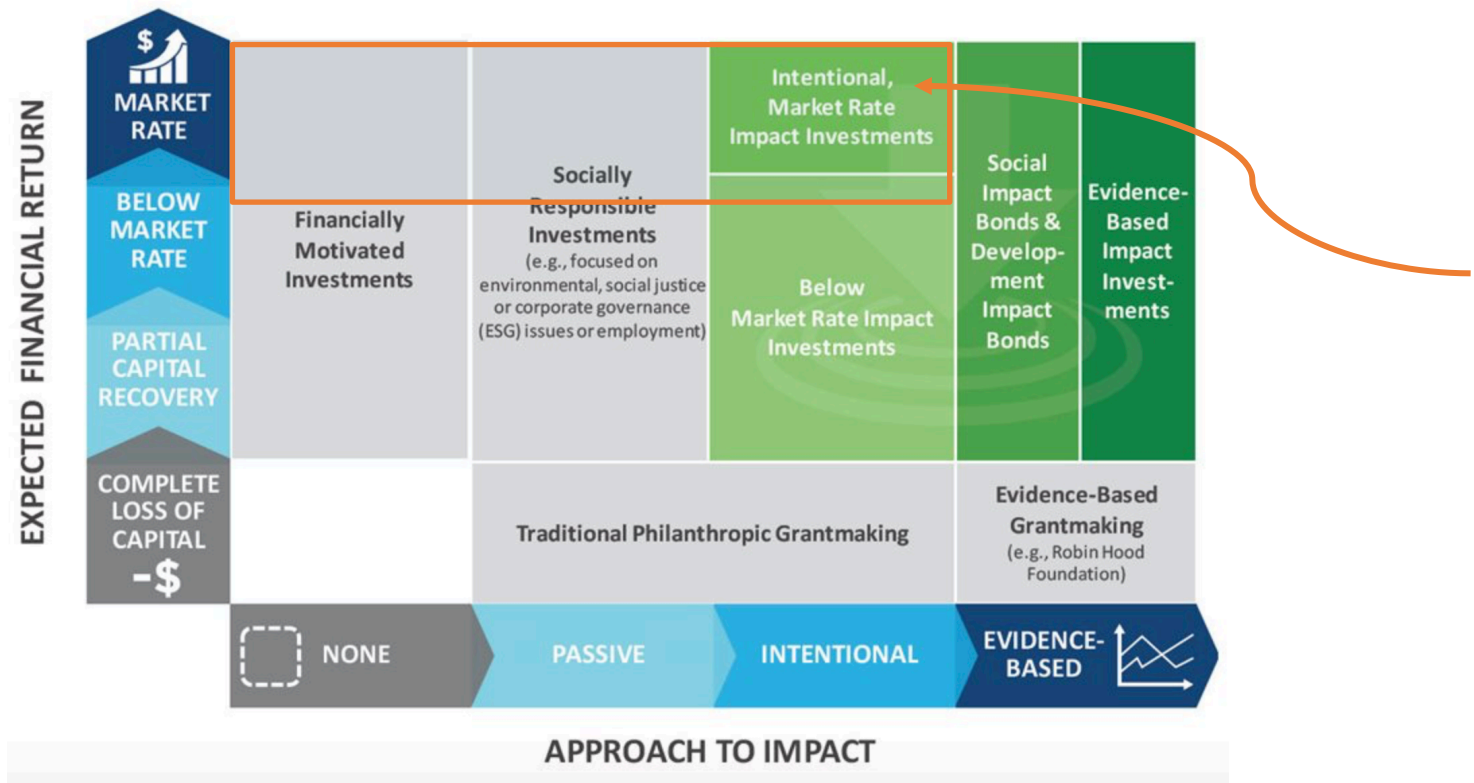
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- Overview of impact investing
- Efforts to inform deployment of Opportunity Zones capital
- Double bottom-line investing
- Evaluating social impact
- Demand, transparency, and investor behavior
- Q&A



# Overview of impact investing

Investments in companies, real estate assets, and managed funds with the intention of generating social or environmental impact alongside a financial return.



[The Bridgespan Group](#)

# Efforts to inform deployment of Opportunity Zones capital

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## **Intentionality drives impact.**

Investors and fund managers have to be committed to certain principles at the outset, and those principles have to be baked into their investment thesis and strategy.

- Determine the social and/or environmental issues you want to address, and identify the investment activities that can create an impact.
- Use the investment activities to build a framework for screening investment opportunities.
- Identify the key performance indicators tied to the impact you want to achieve.
  - Impact projections:
    - Qualitative – use testimonials from local officials and beneficiaries.
    - Quantitative - [Economic Policy Institute](#) and [National Association of Home Builders](#) multipliers.
  - Impact monitoring:
    - Qualitative – use surveys and interviews.
    - Quantitative - measure outputs and outcomes.

# Overview of impact investing

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## Hypothetical

An Opportunity Fund invests in a new 200-unit apartment building where 60 units are reserved for households earning up to 66% Area Median Income (AMI). The project sponsor is a non-profit developer with limited cash and limited access to investor networks. The AMI in A City is \$100,000 for a family of three.

## **Five Dimensions of Impact**

- What outcome are you contributing to, whether it is positive or negative, and how important is the outcome to stakeholders?

*Affordable housing is a priority for residents and elected officials in A City.*

- Which stakeholders will experience the outcome and how underserved they are in relation to the outcome?

*In A City, 5,000 households earning 66% AMI pay 40% of income on housing.*

- How many stakeholders will experience the outcome, what degree of change will they experience, and how long will they experience the outcome?

*60 households will reduce housing expenses to 30% of income, saving \$550 per month. 10 year LURA.*

- Did these efforts resulted in outcomes that were likely better than what would have occurred otherwise?

*No new starts were planned for housing serving 66% AMI households.*

- What is the likelihood that impact will be different than expected?

*Household incomes for up to 20% of renters at the property will change. Changes in local rental prices .*

[Impact Management Norms](#)

# Efforts to inform deployment of Opportunity Zones capital

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## [OZ Framework](#)

- Shared, common and collective metrics for impact measurement.
- Metrics specific to the investment thesis and impact vertical of the fund.
- Responsible fund exits.
- Outcomes reporting.

## [Opportunity Zone Community Impact Assessment Tool](#)

Scores are provided to help project sponsors, investors, and local leaders determine how a investment might positively affect the community and where there may be room for improvement.

## **Examples:**

[ICIC](#) is providing impact evaluation services to Arctaris Impact Investors.

[The Pearl Fund](#) includes quarterly reporting requirements in its term sheet.

*“The Company agrees to provide The Pearl Fund, within 30 days after the end of each calendar quarter, with agreed-upon data to enable The Pearl Fund to participate in the OZ Reporting Framework. Any third- party costs for such agreed-upon data will be paid by The Pearl Fund.”*

[Woodforest CEI-Boulos Opportunity Fund](#) has a Social Impact Advisory Board and is utilizing the OZ Framework.





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Transformative Community Investment  
Q4 2020

[catalystoz.com](https://catalystoz.com)

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# Catalyst Opportunity Funds



## Overview

Since launching in 2019, Catalyst has raised ~\$100 M across two offerings and is currently raising its third fund (\$100-\$150 M) targeting high-impact Opportunity Zone (OZ) real estate investments

### High-Potential Deals in Resilient Markets

Leverage extensive networks in business, government, real estate and philanthropy to partner with community-driven developers on RE projects in resilient, secondary growth market OZs

### Institutional Quality Underwriting

Rigorously assess investment opportunities with institutional-level diligence, leveraging Catalyst team + outside advisors on environmental, entitlement, legal, construction cost, etc.

### High-Impact Programming

Collaborate with developers to incorporate high-impact programming across affordability, education, health & wellness, economic growth / job creation and sustainability categories

### OZ Regulatory Expertise

Involved in OZ legislation; continuous involvement in regulatory process; leadership in key OZ industry coalitions, advised by leading OZ experts

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\*Unless otherwise indicated, the above reflects the current market views, opinions and expectations of Catalyst. There can be no assurance that investors will receive a return of capital and there is no guarantee that all or any of the opportunities described will be represented in the Real Estate Funds' portfolios.



# Catalyst Opportunity Funds

## Catalyst Investment Strategy

Provide equity capital to community-driven developers in high-potential OZ markets for projects that catalyze neighborhood revitalization, generate economic activity and promote healthy communities & environmental sustainability

Strategy	Real Estate			
Category	Housing Affordability	Neighborhood Revitalization / Economic Development	Access to Services	Environmental Sustainability
Description/ Impact Thesis	Provide and address housing affordability through intentional product development	Revitalizing distressed neighborhoods; activating creative spaces and reducing barriers for businesses	Build healthy environments by integrating healthy food, quality schools, community health, and safe places to exercise and play	Target environmentally sustainable projects, through energy efficiency, sustainable design, adaptive reuse, prefab, etc
Product Types	Micro Units Workforce Housing Mixed-Income (Deed Restricted) Naturally Occurring Affordable Housing (NOAH)	Main St Businesses Incubators/Accelerators Creative / Flexible Office Light Industrial	Preventative Healthcare High-Quality Education Workforce Training Nutritional Food Providers Human Services Green & Open Spaces	Net Zero Adaptive Reuse / Repositioning of Industrial Space (up to 80 years of environmental benefits of sustainable new build <sup>1</sup> )
Avg. Hold Period	10-12 years			

1. The Greenest Building: Quantifying the Environmental Value of Building Reuse. A Report By: Preservation Green Lab. National Trust for Historic Preservation. 2011.

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\*For illustrative and discussion purposes only. The information presented reflects the current thinking of Catalyst regarding an anticipated portfolio construction. There are no assurances that this will be the ultimate construction of the Real Estate Funds' portfolios and no guarantee that all or any of these types of investments will be represented in the Real Estate Funds' portfolios.

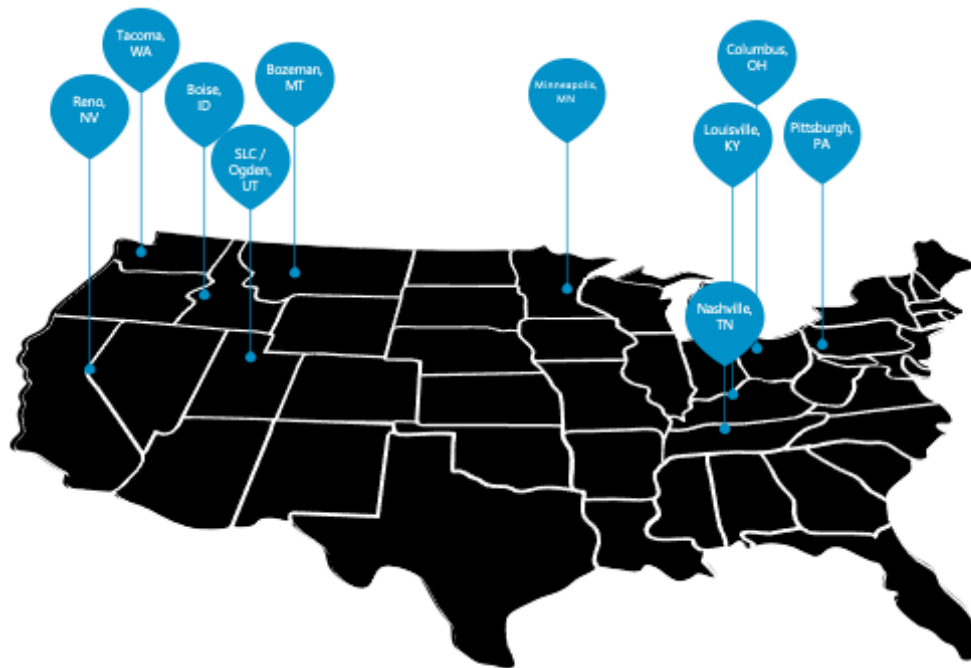




# Catalyst Opportunity Funds

## Initial Target Markets

We target high-potential, undercapitalized markets where we see potential for growth and impact



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### Evaluation criteria:

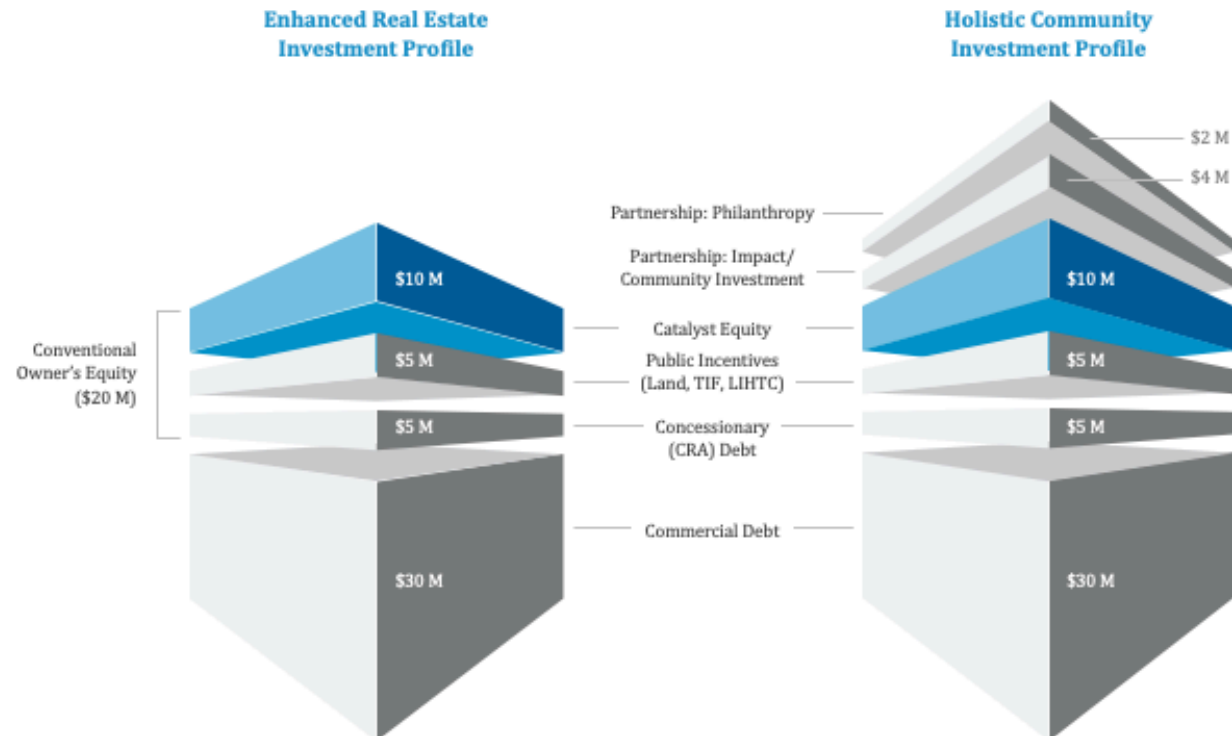
- Latent demand drivers
- Growth market adjacency
- Reasonable asset valuations / room for appreciation
- Migration patterns
- Educated / skilled human capital
- University adjacency
- Emerging tech / startup hub
- Well-managed, data-driven communities
- Local community engagement



# Catalyst Opportunity Funds

## Blended Capital Stack (illustrative)

We seek to leverage our networks/relationships to drive in other capital sources across the risk, return and impact continuums to optimize returns + impact



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\*For illustrative purposes only. The numbers shown above are hypothetical only and are not projections of any particular Funds investment. The above reflects the current thinking of Catalyst regarding a deal-level capital stack. There are no assurances that this will be the ultimate construction of a capital stack of any investment project in the Real Estate Funds.



# Catalyst Opportunity Funds

## Catalyst Impact Scorecard (illustrative)

In addition to Catalyst's institutional-grade financial underwriting, we expect to assess new investment opportunities on their ability to deliver community benefits across a range of impact categories.

<b>Commitment of Developer Partner to Impact</b>	<b>9/9</b>	<b>Access to Services</b>	<b>10/10</b>
Proactive, developer-led strategy for incorporating impact into programming & design		Health & wellness	
Prior track record of impact-oriented development on other projects		Education	
Openness to incorporating other impact best practices		Nutrition	
<b>Community Engagement</b>	<b>7/7</b>	Office space for community-based nonprofits	
Relationships with local government, philanthropy, NGOs & community leaders		Other wrap-around services (ESL financial literacy, tax prep, after school programs, etc.)	
Strength of the community engagement process		<b>Economic Development</b>	<b>12/12</b>
Level of support for the project among local residents		Workforce training	
Potential for broader community impacts/connections		Entrepreneurial development/infrastructure	
Use of other state, local, philanthropic incentives		Potential for net new LMI job creation	
<b>Housing Affordability / Displacement</b>	<b>20/20</b>	<b>Sustainability</b>	<b>29/29</b>
Creates net new or preserves existing affordable/workforce housing		Adaptive reuse of existing structure	
Creates/preserves deeply affordable housing units		Developer experience/track record incorporating sustainable approaches	
<b>Inclusion</b>	<b>13/13</b>	Sustainable-energy management, heating/cooling, lighting elements	
Developer inclusion of women/minorities in key management positions		<b>Totals</b>	
Developer inclusion of women/minority-owned business in development		Raw Score	100/100
		Impact Rating	100%/100%

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\*For discussion purposes only and may be subject to change. The determination and assessment of social impact involves significant judgment and may differ from another party's review of the criteria used. Another party's assessment may include comparable metrics not represented above. The identified metrics are not representative of all of the available data that may be measured by the Real Estate Funds.



# Catalyst Opportunity Funds

## Bessemer (Minneapolis, MN)

- Workforce affordable housing in high-impact master-planned community
- Financing – OZ equity; government subsidy
- Community Needs Assessment
- Impact Scoring



Commitment of Developer Partner to Impact	9/9
Community Engagement	6/7
Housing Affordability / Displacement	11/20
Inclusion	6/13
Access to Services	5/10
Economic Development	3/12
Sustainability	8/29
Impact Score	48/100

Housing Affordability	Neighborhood Revitalization / Economic Development	Access to Services	Environmental Sustainability
Provide and address housing affordability through intentional product development	Revitalizing distressed neighborhoods; activating creative spaces and reducing barriers for businesses	Build healthy environments by integrating healthy food, quality schools, community health, and safe places to exercise and play	Target environmentally sustainable projects, through energy efficiency, sustainable design, adaptive reuse, prefab, etc
Micro Units Workforce Housing Mixed-Income (Deed Restricted) Naturally Occurring Affordable Housing (NOAH)	Main St Businesses Incubators/Accelerators Creative / Flexible Office Light Industrial	Preventative Healthcare High-Quality Education Workforce Training Nutritional Food Providers Human Services Green & Open Spaces	Net Zero Adaptive Reuse / Repositioning of Industrial Space (up to 80 years of environmental benefits of sustainable new build <sup>1</sup> )



# Catalyst Opportunity Funds

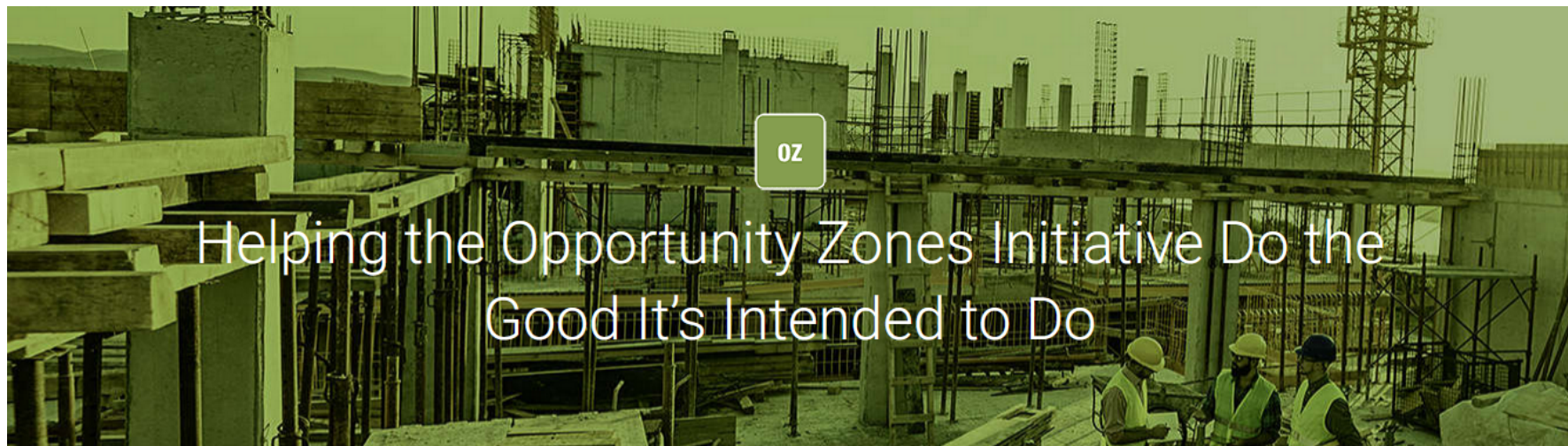
## Cereal Mill

- Adaptive reuse – affordable housing / refugee business incubator
- Capital Stack – CRA loan; LIHTC; OZ equity; philanthropy
- Community Needs Assessment
- Impact Scoring



Commitment of Developer Partner to Impact	9/9
Community Engagement	6/7
Housing Affordability / Displacement	16/20
Inclusion	4/13
Access to Services	5/10
Economic Development	12/12
Sustainability	22/29
Impact Score	74/100





Reid Thomas  
Chief Revenue Officer  
NES Financial, a JTC Company



# NES Financial

## The Leader in Specialty Financial Administration

- Silicon Valley headquartered financial technology company
- Founded to help well intended investment programs/ incentives succeed in doing the good they're intended to do
- Purpose-built Fund Administration technology
- Over 100 Opportunity Zone Funds under contract
- Acquired by JTC PLC April 2020 (LON: JTC)



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# NES Financial

## About JTC

Funds | Corporate | Private Client

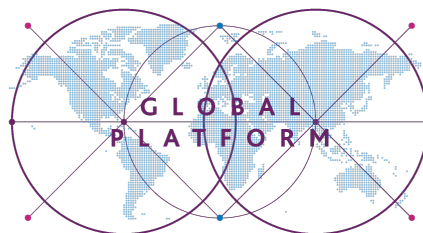


ESTABLISHED  
**1987**

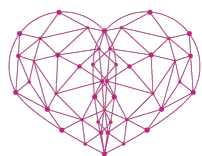
2018  
LISTED  
ON



**London**  
Stock Exchange



**C.130**  
BILLION  
USD  
GROUP  
AUA



**SHARED  
OWNERSHIP  
CULTURE**



**C.900  
PEOPLE**



**CLIENT  
SERVICE  
EXCELLENCE**

AWARD  
WINNING



**32**  
YEARS



**REVENUE  
+  
PROFIT  
GROWTH**





# NES Financial

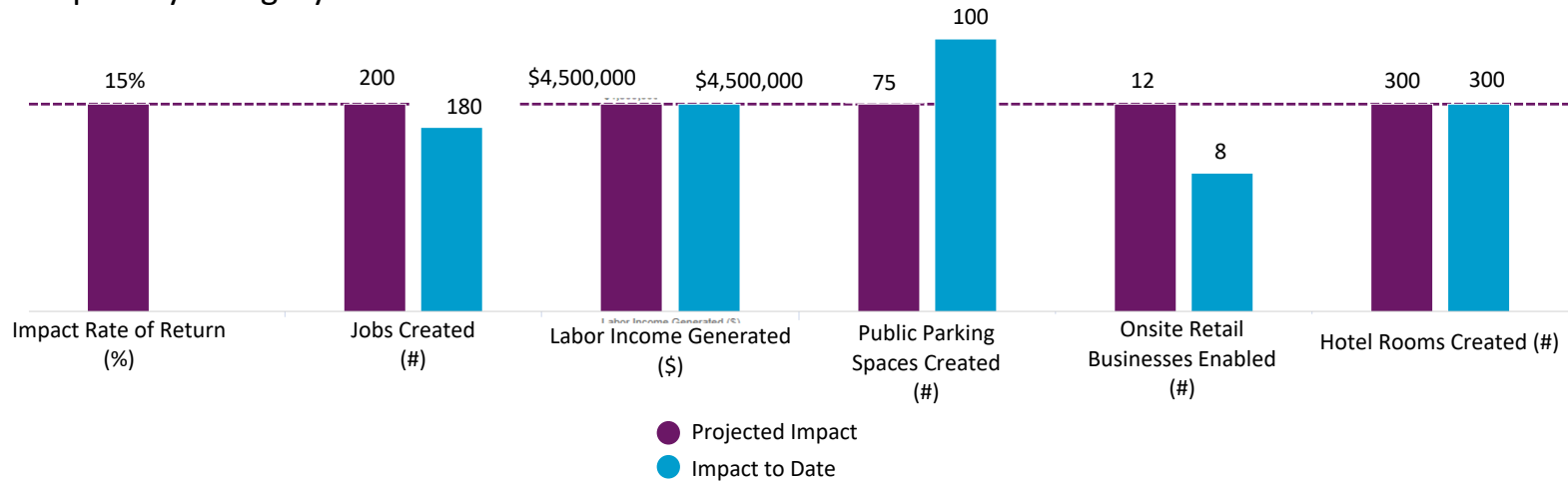
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## Measuring Impact Successfully for Opportunity Zones

- Cannot be overly burdensome
- Must be able to compare across projects and fund managers
- Should be able to provide customized reporting
- We partnered with Howard W. Buffett and Global Impact LLC's Impact Rate of Return® (iRR®) methodology
- Solutions should be able to:
  - Establish a community baseline on key metrics prior to making an investment
  - Project the economic and social impact of the investment
  - Track progress towards those projections as the project advances
- Long-term success of the Opportunity Zone initiative is dependent on measuring and reporting impact

# NES Financial

## Project Impact by Category

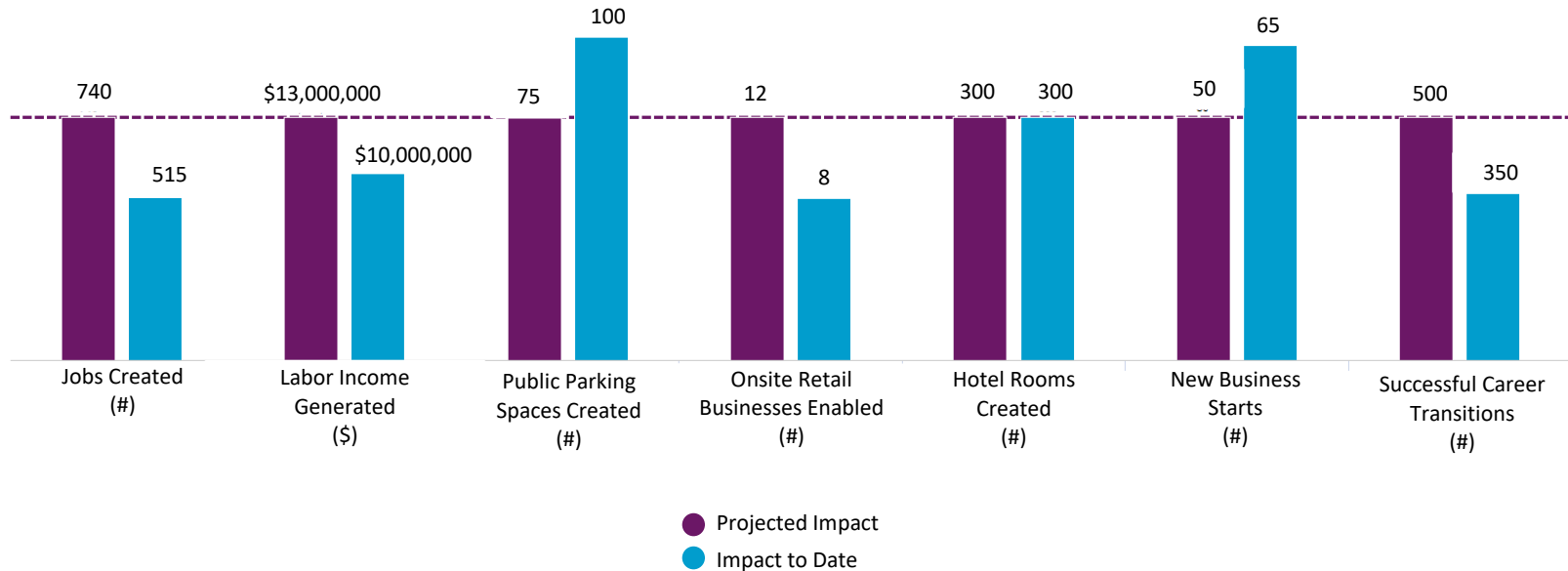


- Displays impact progress, measured as “projected impact” vs. “impact to date” .
- Metrics displayed are fully customizable based on client wishes.
- By default, the tool tracks:
  - Jobs created
  - Labor income generated
  - Impact Rate of Return® (iRR®)



# NES Financial

## Fund Impact by Category



- Provides a summary of “projected impact” and “impact to date” of all projects within a fund.
- Various impacts of each underlying project are aggregated and displayed together at the fund level.

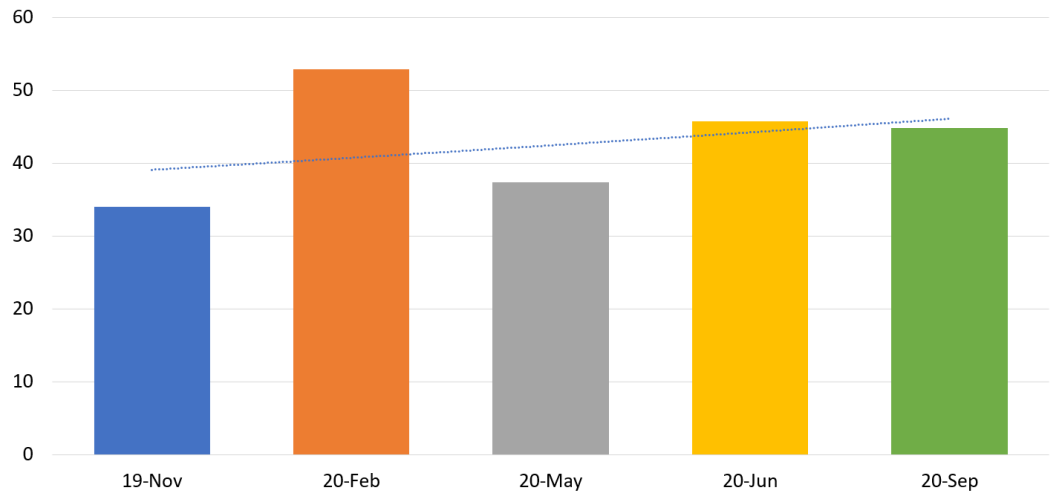


# NES Financial

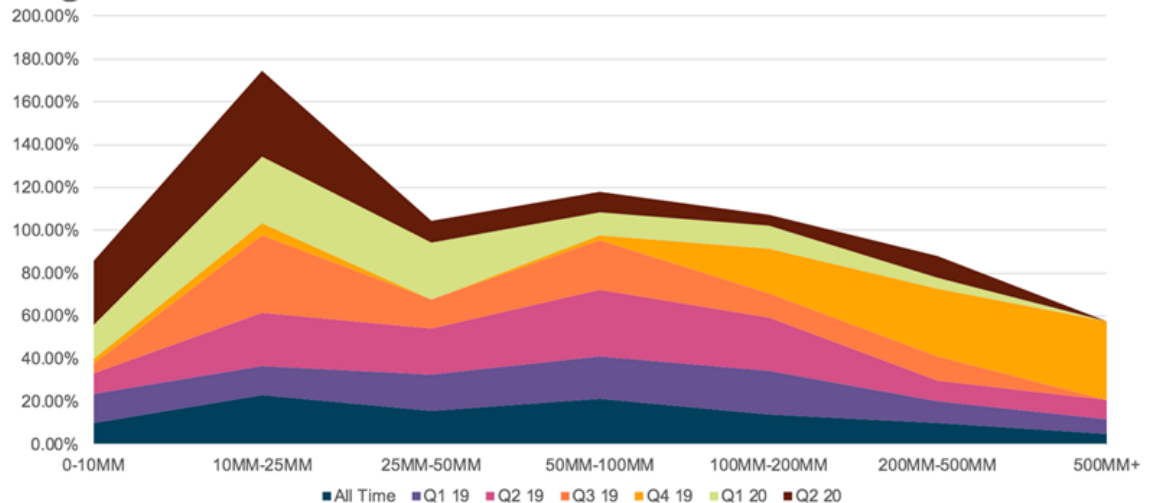
## Social Impact Trends in Opportunity Zones

- Social Impact is an important consideration for investors
- Target fund size trends are consistent with more focused investment initiatives

Primary Motivation for Participating in the OZ Initiative



Target Fund Size Distribution



# Demand, transparency, and investor behavior

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- Are a preponderance of fund managers looking for double bottom-line investment opportunities?
- Are Opportunity Zones investors seeking impacted-oriented investments?
- Who are the Opportunity Zones impact investors? (banks, family offices, etc.)
- Why is impact analysis and investor transparency important?
- What impact themes are trending?

# Q & A

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## CATALYST OPPORTUNITY FUNDS

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