

BENEFIT CHICAGO

Frequently Asked Questions

Why was Benefit Chicago created?

Benefit Chicago is a new collaboration created by The Chicago Community Trust, the John D. and Catherine T. MacArthur Foundation and Calvert Foundation to expand economic opportunity in the Chicago area and strengthen its communities.

What will Benefit Chicago do?

It will mobilize up to \$100 million from individuals and institutions to provide loans and other kinds of investments specifically designed for nonprofits, businesses with a social purpose, and intermediaries focused on community development, entrepreneurship and job creation, and responsible financial services for low-income consumers.

Who is providing the \$100 million?

Investments will come from individuals and institutions. The Chicago Community Trust and MacArthur Foundation already invested a total of \$65 million. Both foundations have an enduring commitment to Chicago and their investments in Benefit Chicago have not changed their grant support. This is new investment capital for Chicago. Visit www.benefitCHI.org to learn how others can participate in this effort.

What will the money finance?

Recipients will use the money for a variety of purposes, including businesses that spur development and create jobs in struggling neighborhoods; companies that offer clean energy solutions; grocery stores in food deserts; neighborhood health clinics and child care centers for low-income families; nonprofits and for-profits that provide affordable housing; and, responsible mortgages and auto loans that help families save money and build a more secure future.

Does this new capital replace grants? Could it encourage donors to reduce donations?

This is not intended as a substitute for grants and government resources. They are the lifeblood of many organizations. Benefit Chicago provides a different kind of support that adds to the financial resources available to address Chicago's needs. Also, unlike charitable donations, investments made to support Benefit Chicago are not tax deductible.

Is this a response to our state budget crisis?

No. Gridlock in Springfield is taking a terrible toll on organizations working in our poorest communities. But Benefit Chicago can't fill that vacuum, nor was it ever designed to play that role. There is no substitute for efficient, responsive government in this regard.

Do nonprofits really need investment capital rather than grants?

Yes, in fact they say the need is urgent. Grants and government support play a vital role, especially when it comes to funding the day-to-day operating costs for social services. But loans and investments are essential too. Research has identified \$100 million in unmet local need—financing that nonprofits, intermediaries, entrepreneurs could use to build new facilities, expand operations, jumpstart community development projects and spur economic opportunity.

Why can't socially motivated businesses or intermediaries borrow from regular banks?

Many organizations serving low-income people or working in challenging situations need customized financing -- less costly, longer term and more flexible than most mainstream lenders/investors can offer. Also, the conventional market may deem them too risky or novel to finance.

How can these loans or investments be made when major financial institutions can't or won't make them?

First, all three of the Benefit Chicago founders are nonprofits focused on delivering positive community impact rather than maximum financial return. Second, MacArthur Foundation's staff, which will take the lead on lending and investing on behalf of Benefit Chicago, has done this kind of work for 30 years, managing a \$500 million pool of impact investments around the globe. That includes \$135 million in loans and investments for nonprofits, intermediaries and

businesses benefiting the Chicago region. Staff members are well-versed in managing risk and devising customized financing solutions.

So, this kind of lending or investing isn't new?

For decades, leading foundations have added to their traditional grantmaking with what many now call “impact investing” (long known as program-related investments). Quite simply, it involves making loans or providing other kinds of financing to help organizations achieve charitable goals -- filling gaps left by mainstream banks and investors, lowering risk to draw in other capital and helping them build track records so they can obtain financing on their own. As a result, billions of dollars are mobilized for nonprofits, community development loan funds and socially minded businesses each year – in Chicago and around the world. Benefit Chicago builds on MacArthur’s long and successful history in this arena, and it provides a new way for others to contribute to “impact investments” as well, through the purchase of Chicago-targeted Community Investment Notes issued by the Calvert Foundation,

Who decides where the money goes?

The new charitable fund established by MacArthur will field applications and make loans and other investments to fulfill the mission of Benefit Chicago.

Does Benefit Chicago focus on certain parts of the city or suburbs?

Investments are expected to be spread widely, though generally focus on those low-income communities facing challenges. For many years, both MacArthur and the Trust have provided financial support throughout the region to fuel important programs. In fact, MacArthur has used its investment capital to help finance 450 projects and organizations in 54 Chicago neighborhoods and 50 surrounding municipalities, while the Trust awarded more than \$90 million last year to local nonprofit organizations serving the Chicago region.

What about community input?

A Community Advisory Committee, chaired by The Chicago Community Trust and comprised of a diverse group of knowledgeable individuals focused on a stronger Chicago region, will meet regularly to offer input on how Benefit Chicago can best support our communities. The Trust, MacArthur and Calvert Foundation will appoint committee members.

How will Benefit Chicago communicate its impact?

The activity and positive community impact of each organization financed via Benefit Chicago will be tracked over time and regularly reported at www.benefitCHI.org.

How can I support Benefit Chicago?

Individuals can participate in Benefit Chicago by investing in Calvert Notes in denominations of as little as \$20 online. Those interested in purchasing larger Notes – whether \$1,000, \$1 million, or more - can work with a broker or financial advisor, or with The Chicago Community Trust, through their donor-advised funds. This gives a wide range of people who care about Chicago the chance to help make our city stronger.

Still want to know more?

Visit www.benefitChi.org for more information about:

- How Benefit Chicago works and who benefits
- How to apply for financing
- How to participate as an investor
- Research on the local need for “impact investments”
- The nonprofit organizations that created Benefit Chicago