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A Promising Place-Based Collaborative Impact Investing Fund Strengthens Community and Informs Philanthropic Practice

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Key Points

- A recent evaluation of the Western New York Impact Investment Fund adds to the proof-of-concept literature regarding "doing good and doing well" while pointing to experience-based best practices in philanthropic impact investing. Born of a collaboration between regional and national philanthropies, the fund brings together corporate, individual, and philanthropic investors to deliver an inclusive impact investment mechanism. Founded in 2017, the fund evolved from concept to operating entity, focusing on mitigating capital gaps, long-term economic decline, and wealth divides.
- Evaluation at Year 5 describes how the professionally managed, collaboratively governed fund has attracted and deployed capital, contributing to ecosystem improvements and concrete results. Portfolio companies have created jobs with livable wages, reduced carbon footprints, reclaimed abandoned space, and committed to maintain operations in the region long term.
- Alongside these impacts, investors' stakes have increased in value and realized returns. Performance bred opportunity and its second round of fundraising, 42% larger than the first, brought the total under management to over $20 million. With this evaluation, the Western New York Impact Investment Fund articulates lessons for the fund, foundation investors, and intermediaries seeking to nurture place-based impact investing.

Introduction

Socially responsible investing to benefit the health, wealth, and fabric of society has grown in volume and sophistication since 18th-century Methodists and Quakers avoided supporting tobacco, alcohol, and gambling industries. Private and public investors as well as philanthropies have worked in this space for decades. Yet, only more recently have U.S. philanthropies begun explicitly to deploy their endowments to do well by preserving or expanding their purchasing power and to do good by advancing their missions.

In 2007, a group of foundations led by the Rockefeller Foundation coined the term "impact investing" and sought to develop the practice. The strategy involved directing endowment capital to specific enterprises and entrepreneurs whose missions and purposes aligned with the foundations. Success would expand the foundation "toolkit" as well as the available resource base that could be focused on mission.

As the practice developed, Wood (2020) described six foundation roles: Some invest, demonstrating by example that impact can be achieved with competitive financial returns. Some provide "catalytic capital," using patient or below-market funds to leverage reluctant private investors into unfamiliar markets. Some build the field, helping develop intermediaries that operate in abandoned or pioneer markets. Some fund impact investing infrastructure for data provision and data standard setters. Others build networks, promoting learning and advocacy.

Experience in familiar settings can provide philanthropies an opportunity to deploy and build local market knowledge regarding impact investing outcomes and to strengthen investment infrastructure, increase opportunity, and identify best practices.

Lastly, foundations become practice leaders spotlighting roles for investors to address particular social needs.

Foundations' embrace of "doing well and doing good" has been modest, perhaps reflecting the sector's tendency to avoid change (Soskis & Katz, 2016). Estimates suggest that the share of foundation endowment and program funds used for impact investing is 2% to 3% (Buchanan et al., 2015).

As early adopters, the Heron Foundation aligned its entire $300 million endowment with its anti-poverty mission (Miller, 2016). Among very large foundations, the Ford Foundation (2017) signaled a second watershed moment in carving out $1 billion (over 8% of its endowment) for mission-related investing encouraged by a maturing market of asset managers and improvements in impact measurement.

Still, obstacles to implementation persist related to foundation culture, belief, and means. Complexities include longtime relationships with asset and enterprise managers, fear that impact investing lowers returns, a belief that investments leverage less change than grants, and a lack of internal skills and systems cultivated for impact investing (Buchanan et al., 2015; Agrawal & Hockerts, 2019; Soskis, 2021). A survey of 125 institutional impact investors identified their top challenge to be the shortage of high-quality investment opportunities (Saltuk et al., 2014). On the supply side, potential investees note parallel challenges that hamstring efforts to match capital supply and demand. These include inefficient ecosystems of intermediaries and investees, as well as difficulties measuring enterprises' social dimensions connected to investments (Phillips & Johnson, 2019). In response to these concerns, intermediaries have developed templates for deal/fund structures, impact measurement schemas, and online platforms to help investors find opportunities (Hand et al., 2020).

A Targeted Response: Philanthropic Place-Based Impact Investing

Experience in familiar settings can provide philanthropies an opportunity to deploy and build local market knowledge regarding impact investing outcomes and to strengthen investment infrastructure, increase opportunity, and identify best practices (Ovalle, 2018). Regional foundations with a strong place-based mandate, such as community or health conversion foundations, may be well positioned to use impact investing to advance missions locally (Berliner & Spruill, 2013). Philips and Johnson (2019) point to enabling factors such as strong embeddedness in place, matching investment scale with investee and investor requirements, flexible capital instruments, and availability of intermediaries. Promising landscape features include public and private investors supporting local entrepreneurs with locally grown products and problem solutions; proximal financial institutions, accelerators, and educators nurturing new entrepreneurs and enterprises; and other social capital such as committed community members, affinity associations, and convening institutions (Leung & Theodos, 2019).

National foundations such as Rockefeller, Kresge, Ford, Heron, John D. and Catherine T. MacArthur, Annie E. Casey, and David and Lucile Packard have sponsored place-based efforts and infrastructure. Some foundations focus on specific impacts or replicate distinct models (Walker et al., 2010). Others nurture indigenous efforts that unite local leadership and homegrown innovation on familiar ground (Miller, 2016).

Research informing fund development and implementation is mainly based on information from recent "adopters" who share anecdotal experience (Agrawal & Hockerts, 2021). Mission Investors Exchange convened a community of practice that produced the *Community Foundation Field Guide for Impact Investing* (Berliner & Spruill, 2013). It provides examples of best practices from community foundations deploying assets through debt, equity, and cash vehicles. Subsequently, MIE and the Urban Institute convened emerging place-based funds and intermediaries to capture insights into early-stage structure and practice (Leung & Theodos, 2019). Despite these efforts, much remains unclear regarding the course, success, and survival of startup funds. Examining efforts facing different challenges at different developmental stages across lengthy life and death cycles can be instructive (Rider & Swaminathan, 2011).

The Western New York Impact Investment Fund Evaluation

As early as 2014, the Community Foundation for Greater Buffalo began convening potential partners to explore impact investing. They envisioned investing alongside other contributors in a pooled fund to serve both local enterprise and nonprofits. In partnership with private individuals, foundations, and corporate investors, the fund would tap the strengths of the for-profit and nonprofit communities. This model was expected to strengthen the investment ecosystem of fund seekers, intermediaries, and funders. The fund would benefit from enhanced market size and scope, public awareness, a public stake in success, a diversity of expertise, and effective infrastructure. Demonstrated success would lead to follow-on investments, sustaining and amplifying impact over time.

The theory of change draws on the Community Foundation's convening repertoire to foster collaboration among foundations and private investors. Together, they employ local knowledge, networks, institutional capacity, and influence to stand up a professionally managed fund. The goal of the hybrid fund is to invest in new and existing enterprises, yielding financial returns to investors and social benefits to the community. Key activities include attracting interest among entrepreneurs, enterprises, and institutions; screening potential applicants; identifying applicants lacking access to capital through standard providers; negotiating deal structures, including finding ways to fill capital gaps and amplify social benefits; conducting due diligence to identify and mitigate meaningful impacts and potential risks; and developing, with investees, monitoring terms to promote likelihood of success and document outcomes. An active, adaptive board of directors, alongside modest staffing screens, underwrites and approves deals, working with diverse community partners. The fund also documents and incorporates lessons learned. If successful, the fund deepens the capacity to attract capital and entrepreneurs from within and beyond the region.

The goal of the hybrid fund is to invest in new and existing enterprises, yielding financial returns to investors and social benefits to the community.

Providing early support, the Heron Foundation recognized the opportunity to help amplify homegrown leaders and capacity. Having invested in Buffalo since 2012, Heron hoped to empower locally led and locally owned enterprises to improve the economy for all. Heron reasoned that the substantial social capital and the Community Foundation's ability to "connect the dots" could enable collective ownership of ideas and projects, outstripping any benefit from a hermetic program imposed by an outside player (Miller, 2016).

The evaluation reported in this article focused on four developmental phases during the fund's first five years: early exploration, preparation for launch, early operations and investment, and refinement and growth. Focal questions include:

- At each developmental point:
    - o What activities aimed to accomplish those goals?
    - o What challenges and additional opportunities were encountered?
    - o What were the results for infrastructure, financial return, and social impact?
- To what extent were investors' other activities affected, influenced, and informed by participating in the Western New York Impact Investment Fund?
- What are possible implications for fund refinement and internal application, as well as potential best practices for foundations and partners with similar goals?

Methodology

This external evaluation employed a two-stage appreciative inquiry approach (Coghlan et al., 2003). First, the evaluator facilitated participative hypothesis generation regarding organizational success and facilitating factors. Second, the evaluator used data triangulation between multiple data to assess alignment of preliminary hypotheses with available evidence and interpret results. Both stages were informed by past reflection: Anticipating the need to adapt to emergent conditions, the Community Foundation and the fund applied both formal monitoring and informal reflective practice, seeking to continuously improve operations and planning. Thus, in the first stage of the analysis, exploration of the observations and interpretations of fund principles produced a set of facilitating factors and implications concerning fund practice and process development.

In the second stage, reexamination of records and semistructured interviews enabled integration of third-party and other observations to corroborate, refine, or reject earlier interpretations.

Data for this article drew from across the fund's first five years, including:

- a landscape analysis, two founding documents, two pitch decks, five due diligence reports, and notes from earlier quality improvement conversations;
- two annual investment monitoring reports and portfolio financial updates;
- interviews with fund staff, founding board members, and new board members (n = 11);
- interviews with representative investees (n = 3);
- interviews with independent community partners (e.g., investors and incubators) (n = 4); and
- observations of committee and board meetings over 2.5 years.

An inquiry and analysis heuristic drawing on seven elements articulated by Ashley and Ovalle (2018) framed inquiry, assessment of alignment, and synthesis. Developed from multiple case studies, the heuristic points to the common presence of anchor partners committing to catalyze and sustain; impact investing champions for engagement to broaden ownership; market or ecosystem mapping to guide planning and implementation; adaptive planning capacity to make adjustments to changing conditions; attention to impact measurement and management; concern about racial equity or system inequalities; and community involvement to embed a broad spectrum of community as contributors and informed stakeholders. Care was taken to explore other critical factors based on observation and participant experience. The project was presented as intended to benefit the fund refinement and share lessons of both success and challenge to inform the field. All participation was voluntary and confidential.

Findings: Fund Development

In this first section, evaluation findings are organized by developmental phase, which reflect successive developmental goals for the enterprise as it took shape. (See Table 1.) Adaptations, insights, and possible best practices are noted at each phase.

TABLE 1 Western New York Impact Investment Fund's Developmental Course

Phase	Key Tasks	Activities	Adaptations	Key Results
Early Exploration 2014–2016	Identify capital needs Understand fund options Gauge, promote investor interest	Potential partner meetings Commission landscape analysis Group discussion	Prepared consultants and interviewees Incorporated education on models Sustained host organization leadership	Identified gaps in capital markets in western New York Established a common understanding of model, options among likely participants Identify parties willing to consider Clear sense of developmental steps
Preparation and Launch 2017–2018	Recruit investors Organize new enterprises Hire staff	Case studies & business planning Outreach Hiring Legal/accounting consultation	Early contributions to overcome impasses Narrowing focus to manage complexity, reach critical mass Lean into interested investors	Core investment adequate for launch commits to business plan Hired flexible staff using traditional, not venture fund, terms Developed founding docs, promoting readiness, confidence, and ownership
Early Operations and Investments 2019–2021	Establish pipeline Develop, pilot, refine procedures Create exemplars	Outreach Website and branding Due diligence, negotiation, decision Extensive board discussion	Lean into most promising opportunities Drawing on contributed expertise Dual due diligence committee structure Experience, reflections inform metrics, side letters, board composition	Established exemplars to inform operations and communications Demonstrated social impacts potential Diversifying financial terms enable covering of operating expenses and first distribution to investors Successes kindle early confidence and interest in developing second series
Growth and Expansion 2021+	Expand deal volume and scale of impact	Self-assessment Outreach, marketing	Comprehensive presentation of results Use of challenges to manage expectations	Second series fully subscribed Evolving board includes deepening, broader engagement Options for practice and goal setting developed

Exploration Phase (2014–2016)

The primary goal was determining feasibility of a place-based impact investment fund in western New York. Beginning in 2014, the Community Foundation worked with Heron Foundation support to explore developing a free-standing social impact fund. The Community Foundation hosted individual meetings with public and private community leaders, culminating in a forum bringing regional and national funders alongside key local stakeholders. While the commitment to community engagement meant most details would be determined collectively, the fund was predicated on two non-negotiables: the fund would be place-based, seeking social impact in the eight counties of western New York; and financial returns were expected for investors.

With those founding principles established and interest expressed in several meetings, the Community Foundation and Heron commissioned a formal landscape analysis and feasibility study by outside experts. The study was released in 2015, showing the community's capacity for a fund and charting a pathway to engage investors, establish procedures, and create infrastructure. By late 2016, the foundation and a few initial partners felt confident there was enough potential commitment to continue.

Adaptations, insights, and possible best practices:

- *Education and reconnaissance.* The Community Foundation's staff and board-appointed task force first educated themselves, honing their reasoning and messaging when new participants doubted the appeal, feasibility, and effectiveness of investing for both social impact and profit. Basic background information on underlying impact investing models was essential to address unfamiliarity and potential misunderstanding of model concepts. Once oriented, many participants contributed more to the reconnaissance, though some remained reticent.

- *Local anchor organization.* The foundation's board and management's ability to sustain attention proved essential to keeping a continuity of vision as the project evolved. While consultants brought technical expertise, knowledge of local context and relationships proved critical. Effective community engagement required extensive preparation by both respondents and consultants, followed by cofacilitated discussions exploring implications of recommendations.

- *Compass points.* The two primary non-negotiables provided helpful scaffolding to ground and organize the extended conversation. A dearth of local prototypes underscored the importance of holding central principles while remaining open to lessons learned from past experience in other contexts and brainstorming homegrown adaptations.

Preparation Phase (2017–2018)

The primary goal was to establish governance and implementation capacity. An independent board comprising philanthropic, corporate, and private investors as well as staff with the ability to operationalize plans was needed. Activities included case studies to think through business models, operational implications for investment identification, assessment, and negotiation. Led by a new chair, the emerging Western New York Impact Investment Fund (WNYIIF) team established a board of founding investors experienced in philanthropic, corporate, and private equity settings; secured a first series with $8.15 million from individuals, corporations, and foundations; established initial criteria and processes focused on broad impacts but concentrated on western New York health, economic, and environmental outcomes; and hired an experienced CEO with expertise in startups, familiarity with the locale, and a commitment to growing a successful place-based impact fund.

Adaptations, insights, and possible best practices:

- *"Lean in" to early investor interests.* As a rough plan for a fund with a wide front door took shape, national foundations proved uninterested in joining a broad-impact fund. They preferred to wait for opportunities to advance specific deals with impacts closely aligned with their missions, such as racial justice or climate change. Participants feared that waiting for national foundations as well as the ideal cross-sector financing would likely result in missed opportunities and lost momentum. To establish credibility, branding, and broader interest, the fund used local investor excitement to cultivate broad enough engagement with strong local talent, networks, and reputation in advance of launch. At the same time, negotiations with possible investors helped refine early compass points into more defined aspirations. For instance, the goal became "market-level financial returns," a term ambiguous enough to rally a broadening consensus while holding off further definition for experience-based discussion.

- *Learning while doing.* From the start, flexible adaptation helped mitigate risk and use early experience and resources well. The Community Foundation's recognition of developmental impasses and its willingness to invest financial and social capital by contributing money, drawing on networks, and recruiting pro bono consultation to overcome early challenges were key to fostering progress (e.g., the "chicken and egg" of simultaneously needing staff to develop appealing deals, appealing deals to engage investors, and investors to hire staff).

- *Careful hiring and transition.* As the Community Foundation's anchor support gave way to increasingly engaged board members, hiring a CEO marked the transition to full autonomy. As with most startups, the

WNYIIF required a founding CEO committed to learning and adapting given the diversity of needs, multiple uncertainties, and limited infrastructure. While case studies based on market gaps identified in the reconnaissance phase were helpful for anticipating infrastructure needs, the CEO and a part-time assistant continued fitting the vision to reality. For example, in the early phases of an investment fund, revenue lags operations by a substantial period, sometimes years, even though the need for staffing is apparent. Managers and staff had to adapt to this reality. While several options for providing technical assistance, deal coordination, and linked grantmaking were explored, the WNYIIF opted to reduce complexity, narrowing the focus and shaping the staff's role to match the skill set, resources, and time available. This approach allowed timely progress.

Early Operations and Investments (2018–2020)

The primary goal was to formalize procedures for acquisition, underwriting and disbursement of demonstration investments that were both viable and reflected the diversity of long-term goals. Emphasis was placed on continuing the startup operations and instituting the first deal; piloting and refining procedures with input from the new CEO; and implementing a communications strategy targeting both investors and investees.

Adaptations, insights, and best practices:

- *Lean into available investment opportunities.* Over time, the pipeline sources expanded from board members and investors to include referrals from marketing, websites, prospect research, partner companies, incubators, intermediaries, and investors. Yet, contrary to expectations, the pipeline continued to bring forward primarily early startups and few nonprofit or mezzanine-stage opportunities. The fund decided to select the best readily available deals, sequencing an effort to diversify and strengthen the pipeline. This meant more and earlier opportunities to prove worth, as well as more work with new and small enterprises that had little track record of success, more risk, and a longer path to payoff from equity stakes. At the same time, the fund needed revenue to begin offsetting its costs. The result was a mix of patient capital instruments and income production balancing the risk of stressing new portfolio enterprises with less reliable revenue and compromising on the goal of expanding access to capital.

- *Facilitate self-selection.* At first demand was misaligned with supply, risking community support — too many "no's" can discourage partners as well as potential investees. Fund staff took steps to help investees self-select out of the pipeline with precise messaging, an informative website, and an instructive but brief application. Ultimately, better-fit applicants entered the pipeline.

- *Questions remain.* Even with the broad structure and founding documents, there were practical questions to be answered. Board members recognized the importance of continuing to use early investment experience to "figure out what we meant." Extensive discussion among leadership and staff helped clarify definitions, decision criteria, and assessment processes. For instance, the board began to detail due diligence criteria, such as early signs of capacity to generate financial returns and create social impact, and the presence of experienced, confident, and open-minded management.

- *Apply insights into structure and procedures.* A consistent process to assess impact potential and describe measurable progress took shape over the course of the early investments. At first, the board preferred to keep impact criteria open: "we'll know it when we see it." After outsourcing the earliest due diligence, the fund embraced a dual committee structure that facilitated broad board involvement augmented by foundation and other community members with relevant expertise in impact. Moreover, the dual diligence stimulated internal discussion and underscored the importance of both kinds of returns.

While important to investment decisions and management, good assessment data and storytelling play an animating role in the growth of both new and repeat investors. The voices of investees and beneficiaries alongside those of investors keep these stories authentic, credible, and compelling.

Refinement and Growth (2021+)

In this current phase, the goal is to raise additional capital to scale benefits for investees and investors and to contribute to the impact investing ecosystem.

Adaptations and insights that are currently informing activities:

- *Celebrate success.* While important to investment decisions and management, good assessment data and storytelling play an animating role in the growth of both new and repeat investors. The voices of investees and beneficiaries alongside those of investors keep these stories authentic, credible, and compelling.
- *Revisit conditions and decisions.* Internal conditions change as investor pools grow, boards diversify, and staff extend capacity. New investors bring new priorities to a collaboratively governed fund. External opportunities also evolve as economies change, potential partners change, and new market gaps emerge. Revisiting fund history and choices with new sets of stakeholders can point to important opportunities and new directions, such as setting targets for impact or asset allocation, or seeking investees at different stages of capital needs.
- *Purpose-built and sustainable infrastructure.* Growth and key personnel transitions provide an opportunity and an imperative to ensure adequate infrastructure. The WNYIIF's increasing volume of investment and the need to orient and engage with new investors require thoughtful rebalance or capacity expansion. Moreover, the long-term life cycle of portfolios requires sustainable operations. Board and staff consider how best to tend outstanding investments, align staff incentives with portfoliowide success, train successors, and maintain networks of good will to sustain operations through transitions among staff and board governance.

Fund Outcome to Date

The WNYIIF aspires to a double-bottom-line return along a long-term horizon. While all investments remain open, intermediate indicators drawn from the most recently available fund reports and progress on key milestones signal positive financial results and social benefits, as well as contributions to a growing, inclusive culture and capacity for impact investing.

Financial Results

The fund has generated substantial new capital committed to new impact investments (WNYIIF, personal communication, April 23, 2022). In the first round, closed in 2017, four private foundations, one corporate foundation, and four private investors committed $8.15 million. A second series is expected to close around press time and already has nearly $12 million in signed subscription agreements, reflecting at least 42% growth. Notably, all existing Series 1 investors enlisted in Series 2, alongside three new private foundations, four private investors, one multinational bank, and one large regional bank.

While the reach is broad, the investments seek to meet diverse investee needs with flexible instruments. To date, over 150 enterprises have been considered, a fraction of which have been subjected to due diligence, and eight have negotiated one or more contracts. The mean investment per organization has been $850,000, and four investees have received follow-up investments. Eleven contracts have involved equity stakes with a median total of $500,000. Four have included debt instruments averaging $525,000, with terms ranging from 24 to 84 months.

Fair market valuation for the equity portfolio is $16.5 million. While none have closed, six of eight investees are valued at multiples of 1.0 or greater (mean = 3.5). The total realized gain from the debt so far is $418,000. Comparing favorably to the generally high rate of early venture failure, only two of nine enterprises are described as distressed, high risk, and/or nonperforming.

Achievement of several key financial milestones suggest the WNYIIF is on a successful trajectory. Beyond survival and expansion in the second series value, the fund's debt investments are providing revenue offsetting a significant portion of operating expenses. Moreover, a modest distribution was made to initial investors, a milestone many venture funds never reach.

Social Impacts

Early social benefits are reflected in quantitative and qualitative indicators monitored by the fund. Furthermore, an evolving "transformative" approach has been coalescing to amplify significant and sustainable impact.

Like other impact investors, the WNYIIF is challenged to summarize impacts across the portfolio. With a modest and diverse portfolio, the relevance and sensitivity of generic cross-cutting indicators can be limited, yielding an incomplete story. That said, the fund, through interaction with its investees and community partners, has integrated selected indicators from standardized systems (e.g., IRIS+) into a menu-driven social impact matrix. (See Figure 1.)

According to staff, board, and investees, the matrix serves a dual purpose, amplifying an investment's social impact while ensuring strategic alignment with the fund's mission. This is accomplished through the co-selection of relevant indicators with an intentional focus on marginalized groups and communities to set targets and populate impact score cards. For instance, across the initial portfolio:

While all investments remain open, intermediate indicators drawn from the most recently available fund reports and progress on key milestones signal positive financial results and social benefits, as well as contributions to a growing, inclusive culture and capacity for impact investing.

- Over 200 living-wage jobs have been created in western New York, 49% of those to members of marginalized groups (e.g., individuals living in poverty, people of color, the formerly incarcerated).
- Operations and capital improvement resulted in 866,000 square feet of adaptive reuse.
- Operational improvements and green product prototypes resulted in 1.4 million-ton reduction in greenhouse gas.

In addition to the health and/or environmental benefits, other common categories that contribute to inclusive economic growth include increased reliance on local supply chains and expanded workforce training in concert with regional nonprofits and businesses.

With experience, the fund has marshaled its influence along a "transformative" path to facilitate more impact over time. Stimulated by a recognition that opportunities may have been missed to encourage greater impact alongside financial success, fund staff is formalizing steps to build its ongoing engagement. In contrast to transactional approaches identifying impact targets at a point in time in exchange for investment, the WNYIIF cultivates deeper capacity and commitment through interactions

FIGURE 1 Social Impact Indicator Matrix

WNYIIF Social Impact Indicators - Matrix					REV. 3.0 (Q2-2022)
*Mission Alignment w/h IRIS+ System Standards**	*Workforce Education/Development, Diversity, and Job Creation*		*Neighborhood Revitalization*	*Health*	*Environment*
	EMPLOYMENT	OPERATIONS	NEIGHBORHOOD REVITALIZATION	HEALTH	ENVIRONMENT
	DIVERSITY, EQUITY, AND INCLUSION (DEI) *Cross-Cutting Strategy: Measuring the Impact on Marginalized Groups** (MGs) and Communities (MCs)*				
	A	B	C	D	E
1	**Individuals Trained** (Total # / % MGs)	**Management Team** (Total # / % MGs)	**Building Area - Adaptive Reuse** (sq. ft.)	**Health Care Spending on Workforce** (Total $ / % MGs)	**Building Area - Energy Efficiency Improvements** (sq. ft.)
2	**Learning Hours Provided** (Total# / % MGs)	**Board of Directors** (Total # / % MGs)	**Adaptive Reuse Buildings** (Total # / % MCs)	**Disease/Condition Addressed** (Primary care, infections, cancer, diabetes, cardio-vascular disease, oral conditions, etc.)	**Renewable Energy Expenditures** ($)
3	**Job Placements** (Total # / % MGs)	**WNY Suppliers/ Vendors** (Total # / % MGs)	**Housing Type** (Rent, sale, or other)	**Health Intervention Completion Rate** (% Total / % MGs)	**Greenhouse Gas Emissions Reduced/ Avoided** (CO2)
4	**Full-Time Employees** (Total # / % MGs)	**Units/Volume Purchased from WNY Suppliers/ Vendors** (Total # / % MGs)	**Housing Units Constructed/Preserved** (Total # / % MCs)	**Patients Completing Treatment** (Total # / % MGs)	**Water Treatment Level** (gal.)
5	**Full-Time Employees Earning a Living Wage***** (Total # / % MGs)	**Purchase Contracts** (Total # / % MGs of buyers or clients receiving products/ services)	**Community Facilities Type** (Schools, day care facilities, health treatment clinics, etc.)	**Patients with Improved Diagnostics and Outcomes** (Total # / % MGs)	**Recycled Materials** (lbs.)
6	**Full-Time Employees Residing in Economically Disadvantaged Zip Codes****** (Total # / % MGs)	**Bill of Materials Sourced from Western New York** (% Total) - 2022	**Community Facilities Constructed/Preserved** (Total # / % MCs)	**Integrated Health Care Delivery Systems** (Total # / % MCs) - 2022	**Energy Savings from Product Sold** ($)
7	**Nonfinancial Support Offered** (Wraparound services for new hires - Y/N)	**Direct Economic Impact from Local Supply Chain** (Total $) - 2022	**Business Type** (Service, merchandising, manufacturing, etc.)		**Waste Reduction Rate from Product Sold** (%)
8		**Production** (Actual) - 2022	**Businesses Started/ Supported** (Total # /% MCs)		**Greenhouse Gas Emissions Reduction Strategy** (Y/N)
9		**Sales** (Actual) - 2022			**Water Quality Practices** (Employs management practices for watershed protection - Y/N)
10		**HR Policies and Practices** (Anti-discrimination, diverse representation, fair compensation, fair hiring/recruiting - Y/N)			
11		**Social and Environmental Performance Training** (Board, management, and staff training sessions - Y/N)			

*Source: IRIS+ System Standards (https://iris.thegiin.org/metrics/)

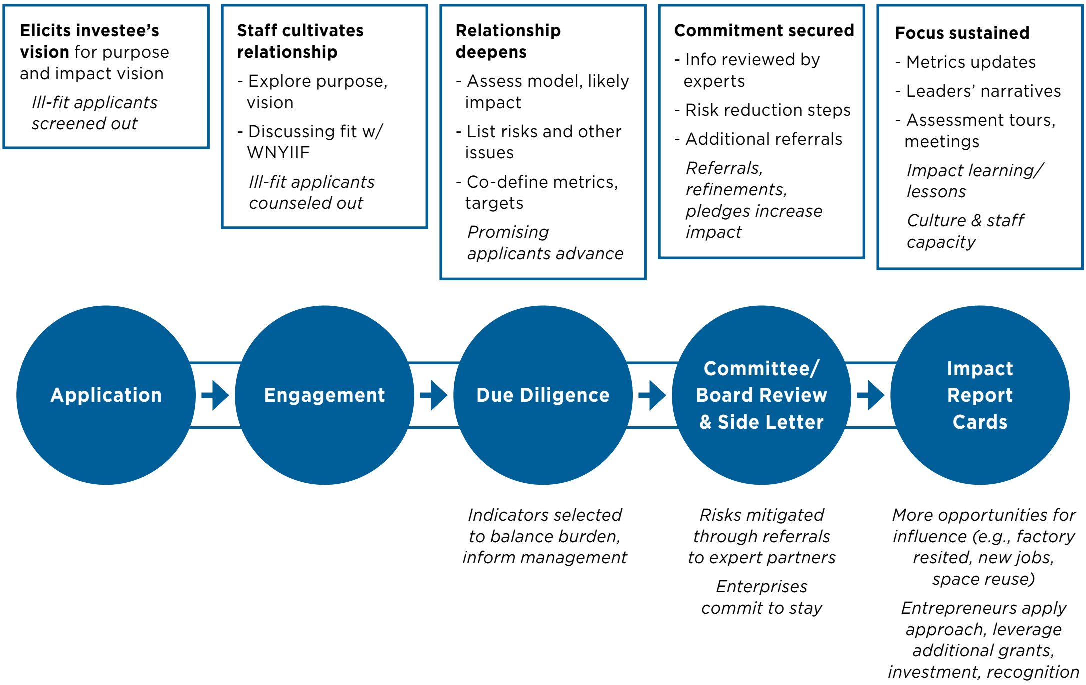
**Marginalized Groups refers to immigrants/refugees, women, racial/cultural minorities, LGBT, military combat veterans, developmentally delayed, physically disabled, mentally ill, persons living in poverty, the homeless and formerly incarcerated.

***MIT Living Wage Calculator by County in Western New York (https://livingwage.mit.edu/states/36/locations)

**** WNY Zip Codes with Poverty Rates Exceeding 25% (14213, 14207, 14212, 14211, 14301, 14208, 14201, 14303, 14204, 14305, 14214, 14209, 14215, 14210, 14779)

Qualitative Assessment: Free-form statement from investees and potential new investments on social impact goals and/or progress.

FIGURE 2 Transformative Relationship Helps to Amplify and Sustain Impact



incorporating sustained attention and ongoing adjustment. Staff use repeated touch points to explore potential impacts, set goals, mitigate risk, monitor progress, and tailor supports. (See Figure 2.) Staff and board members point to a variety of valued impacts added (e.g., discovering that an investee was going to create another factory and encouraging them to convert space in the region, resulting in additional adaptive reuse and a potential for 500 new living-wage jobs). Investee response has generally been positive, noting that the deeper consideration, impact coaching, and the fund's endorsement have led to additional recognition, investment, and grants.

Ecosystem Impact

Participants and beneficiaries of the impact investing and startup ecosystems see the fund as a welcome contributor, educating the community, championing the approach, taking risks, and demonstrating the potential of greater investment in local startups. Inclusive governance has helped to promote ownership, build faith, and create ambassadors to share lessons that strengthen the ecosystem, scaling benefits and advancing philanthropic mission. The regional business newspaper recently noted "that a number of high-profile support entities have joined the fray. The Western New York Impact Investment Fund has turned the theory of impact investment into practice in Buffalo" (Miner, 2021). At the same time, the fund has helped the region achieve recognition as being among the top five fastest-growing startup centers in the country (York IE, 2022).

Among local philanthropies, investment committee discussions are described as shifting from "Should we be involved with socially responsible and impact investing?" to "How do we make sure we get more impact?" Like many local high-net-worth individuals reconsidering their investing strategies, participating foundations are reassessing their endowment utilization. In addition to program grants to incubators and educators training entrepreneurs, strategies being considered or enacted include contests and awards to encourage social enterprise development and identify good investment candidates;

responsibly fostering inexpensive retail impact investing; adding to their own capacity through new positions; and realizing more value from current staff via deployment to impact investing partners.

Two challenges highlight the importance of greater partnering across the ecosystem. First, how can the region attract more impact investing capital from beyond the region? Competing demands on the WNYIIF infrastructure point toward exploring collaborative marketing of "sidecar" investments that feature specific community benefits that would appeal to topical mission-based investors. Second, how can the fund expand its networks and cultivate a broader pipeline to include more marginalized groups and communities? Again, the efficient pathway forward may include exploration of strategic partnerships with a diverse network of incubators and educators reaching out to those most marginalized and invisible to the WNYIIF.

Discussion and Broader Implications

The fund's developmental plan did not unfold accidentally or in a vacuum. It was shaped intentionally in response to local conditions, opportunities, and events both anticipated and unplanned. This responsive evolution is most clear in the development of the fund's approach to diversity and inclusion. Initially, the board was largely racially and socioeconomically homogeneous. While members valued impacts that benefited low-resource or underserved groups in discussions of possible investments, the board resisted articulating formal criteria in due diligence. This changed gradually over years 2 through 4. Exposed to a range of community-based initiatives including a high-profile Race Equity Roundtable and related trainings, board members actively questioned how and whether they could help the whole community. When the George Floyd murder and Tops Market attack triggered still more intense focus, the WNYIIF recognized the opportunity to continue to analyze its own contributions, both positive and lacking. Board and staff self-study and group discussions resulted in diversification of their own composition to better reflect western New York's demographics and the integration of a formalized DEI lens through which all social impacts would be filtered.

The pandemic and ensuing economic instabilities have created conditions that continue to challenge navigation of the WNYIIF. With numerous and hard-to-predict threats to investee enterprises, there could be a tendency to suspend pressure for social impact. The fund, however, can also ask which impacts are not distractions from economic viability, but rather indicators of resilience and contribution to community recovery. Internally, the reduction of face time in committee and full board meetings could hamper efforts to build consensus, orient new members, or engage the full range of perspective and networks just as the fund expands.

Overall, this locally developed venture appears to be working well, yielding returns to investors, social benefits to the community, and support for a growing impact investing ecosystem. Catalyzed by an anchor community foundation and handed off to professional management and a collaborative board of investors, the structure demonstrates the advantages of local leaders, investors, and partners synthesizing community knowledge, squeezing out efficiencies, deepening relationships, preparing investors and community resources, and strengthening impact investing infrastructure (Audette et al., 2019). If a philanthropy or local investor is considering a homegrown venture fund, it may be useful to anticipate the challenges and adaptations made from conception to fund establishment to fund expansion at WNYIIF.

National funders have the opportunity to support and benefit from efforts like WNYIIF. Seeking out local leaders and anchor organizations can help them connect the dots between strategy and the human and social capital needed to succeed in vivo. Reconnaissance and early engagement activities provide both an opportunity for the team to coalesce and for the national partners to continue their own due diligence as they fit their strategy and ability to contribute to the emerging effort. Beyond nurturing and investing in broad place-based funds, nonparticipating philanthropies can seek guidance and assistance getting behind specific investment "sidecars" aligned with their topical missions. Grantmaking can boost success and learning as well through training for investors and investees, rigorous evaluation and research, and dissemination of lessons.

While the WNYIIF adds another model and a developmental description to consider, this is still the experience of one fund in one region. Moreover, final outcomes are still unknown. As a place-based effort, there is no guarantee that the model will fit and produce similarly positive intermediate results in other settings. Indeed, with an ever-changing economic and social landscape roiled by economic distress, fluidity, and pandemic disruptions, there is no bell jar in which to definitively test models and validate best practices. For instance, success factors and candidate best practices highlighted here, such as the board members' intimate knowledge and embeddedness in place, may not have the same salience in virtual communities or industry/impact-focused funds. Methodologically, this descriptive and retrospective assessment warrants caution in suggesting causal conclusions. That said, the parsing of goals and insights into developmental phases may help those seeking to enable impact investment anticipate challenges and consider responses.

Routine reflective practice enables building both adaptive capacity and contextualized lessons. Considering the lack of funding for research and dissemination of locally funded models, practitioners may need to seek grants, pro bono learning partners, and perhaps drawing additional support from foundations investing equity in the fund.

In sum, catalyzing and investing in a fund like the WNYIIF is not for everybody, every place, and every moment. Indeed, the final assessment is incomplete. If the approach fits with community needs and a core group can catalyze action, these planning considerations will inform local and national efforts to promote a greater capacity to integrate assets and ambitions to benefit investors, investees, and communities.

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