

## Riverside Nonprofit Resilience Fund

Contract Approval for The Nonprofit Revolving Loan Fund for Riverside's Nonprofit Businesses

### Office of the City Manager

City Council  
October 22, 2024

Presented by:

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Inland Empire Community Foundation

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## Background

- City received **\$73.5M** in Coronavirus State and Local Fiscal Recovery Funds
- **November 9, 2021:** City Council allocated \$2M for Grants to support nonprofit organizations.
- **February 7, 2023:** City Council allocated \$1M for Grants to support nonprofit partners community programs.
- **October 10, 2023:** City Council reaffirmed their commitment to funding Riverside's nonprofits with American Rescue Plan Act (ARPA) Dollars and sought to find a more effective way to support nonprofits with the funding that was not distributed.
  - To support disproportionately impacted communities;
  - To mitigate nonprofits' economic hardships;
  - To address nonprofit development and sustainability.
- **Staff was directed to return to Council with a plan.**



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## Outreach to Non-Profit Community

- **November 3, 2023:** Convened a focus group of nonprofit and philanthropy leaders (IECF, United Way, Blindness Support Services, Parkview Legacy Foundation, Big Brothers Big Sisters).

- **We heard:**

Riverside's nonprofits struggle to quickly access funding for capital improvements & acquisitions, innovations, and working capital, and struggle with grants requiring upfront payments.



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## Articulating the Need

- Nonprofit businesses provide important contracted and free services for the City of Riverside and employ many of our residents
- Nonprofit businesses need **finance options** as they wait on committed funding from government contracts;
- Nonprofit businesses find it difficult to **access private capital to grow services and/or improve or purchase properties**, due to a lack of collateral or the bank's difficulty identifying a nonprofit's repayment method;
- There is almost no **seed capital in Riverside to innovate** around new ideas or market-based strategies like social enterprises;
- **Charitable and philanthropic giving is less robust** in the Inland Empire than in our neighboring counties.



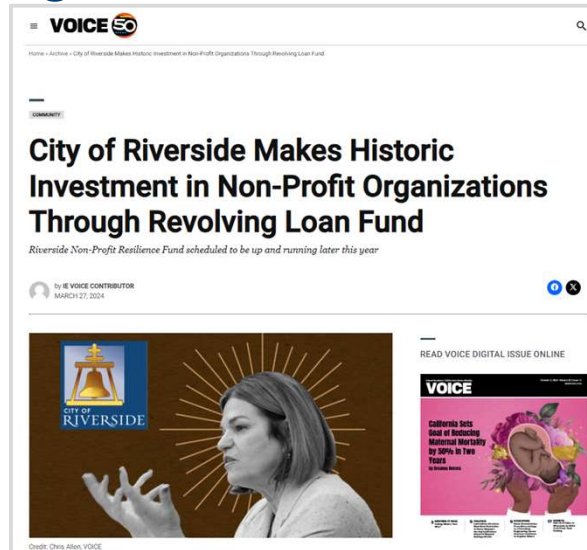
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## Background

- **March 12, 2024:** City Council unanimously approved funding for a **Nonprofit Resilience Fund** using ARPA dollars.
- Staff was directed to return to Council with a contract between the City and the IE Community Foundation.



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## Why a Revolving Loan Fund?

- ARPA dollars are one-time funds intended to support impacted communities and build resilience against future disasters.
- ARPA is temporary, but community needs are perpetual.
- A revolving loan fund leverages ARPA funds into perpetuity, thus deepening the impact over any one-time use.



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## An Innovative Idea

**Impact investing** is a tool for nonprofit resilience over time.

The Riverside Nonprofit Resilience Fund would **provide loans to local nonprofit organizations serving the City's most vulnerable populations, including seniors, youth ages 0-5, and those living in low-income communities.**

The fund would regenerate with loans and interest paid, **providing much needed access to capital into perpetuity.**



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## New to Riverside (But Not a New Idea)

**Metro Denver Nonprofit Loan Fund**



Technical assistance and no-interest loans for nonprofits in metro Denver

San Diego Foundation MySDF Login Ways to Give Search Q Menu

**Transformative Loans: San Diego County's COVID-19 Nonprofit Loan Program Yields \$5.2M Repayment and Reinvestment in Community**

February 15, 2024 | By SDF



The loan program bolstered the work of 26 nonprofits serving the region throughout the COVID-19 pandemic.

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## The Inland Empire Community Foundation

- Formed in 1941 in Riverside to help RCC students;
- Stewards \$130M in assets + 430 funds;
- Experience managing community-specific funds;
- Distributed over \$30 million in 2023 including over \$5 million in scholarships.



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### **Building on Riverside's positive vote, over the summer IECF researched ARPA funding for nonprofits and met with other jurisdictions and funders.**

Riverside + San Bernardino Counties received \$1.7 billion

\$63 million was allocated to nonprofits in the IE or 3.6% of all funding. Nonprofits are roughly 7% GDP (2020, UCR).

IECF and partners continue to advocate for ARPA dollars before the End of the Year with both counties, City of San Bernardino. Seeking additional \$1 million in investment capital from the Weingart Foundation.



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## Fund Structure:

### Overview:

Working capital and bridge loans repaid with revenues from government or corporate contracts;

Pre-development, acquisition and improvement loans to real estate;

Loans to finance energy retrofits and improvements that reduce energy costs (similar to the city's use of funds); and

Funding that enables eligible nonprofits to develop and expand services (similar to the city's use of funds).



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## Fund Structure:

### Governance:

- The Inland Empire Community Foundation as the fiscal host;
- Outsourced Loan Manager Contracted by the Inland Empire Community Foundation;
- Loan Committee Coordinated by the Inland Empire Community Foundation.



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## Fund Structure:

### Loans:

- Senior or subordinated loans with interest rates designed to make loans repayable for nonprofits;
- Terms dependent on underlying use of proceeds and repayment sources;
- Guarantees and credit enhancements to facilitate loans from local banks for worthy projects that cannot get market financing.



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## Fund cost & capitalization

**Capital Investment:** \$2,363,766

**Startup costs:** \$150,000 for legal, contractor to write and manage scope, establishing documents and processes with Loan Manager. Paid only after specific deliverables met.

**Operating costs for outsourced loan manager, year 1 & 2:**

\$150,000 per year (5.6% of total expenditure) paid directly only for work done on behalf of non-profits.

IECF receives no funding for its operating costs and will seek additional funding from donors and foundation partners to cover estimated 2% of fund management costs (roughly \$48K) which IECF will incur.



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## Next Steps:

- Approve grant contract with IECF today
- Form Advisory Committee (managed by IECF);
- Hire a Loan Manager (managed by IECF);
- Finalize documents and outreach plan (managed by IECF);
- Establish training and technical assistance program(managed by IECF);
- IECF will lead outreach in first half of 2025; and
- Open applications in mid-2025.

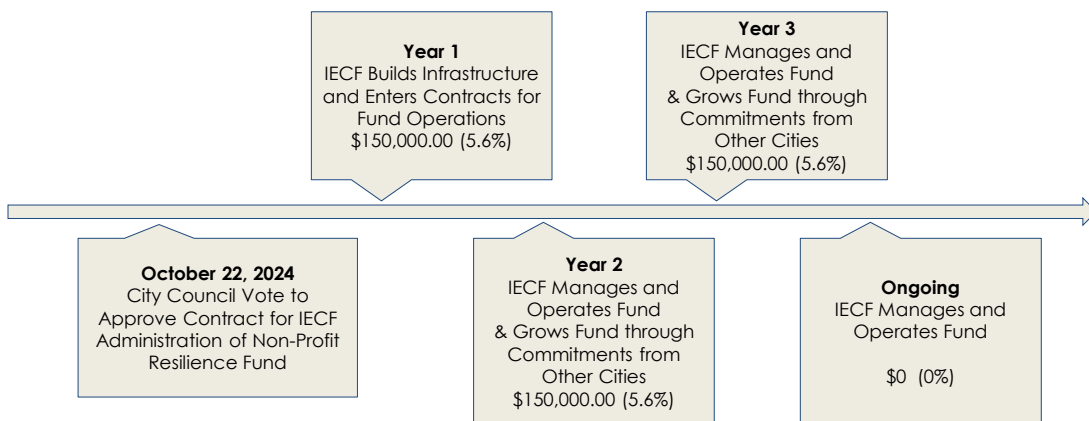


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## Next Steps



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# STRATEGIC PLAN ALIGNMENT:

## Envision Riverside 2025 Strategic Plan Priorities:

-  #3 Fiscal Responsibility
-  #4 Innovation

### Cross-Cutting Threads



#### Community Trust

Transparent and Collaborative Process. Accessible program using a trusted partner.



#### Equity

Supports vital services for vulnerable populations. Support for groups working in the Riverside community.



#### Fiscal Responsibility

Loan repayments and interest keep program capitalized. Aligns with intent of COVID funding.



Longer term viability than a grant program.



#### Sustainability & Resiliency

Fund able to attract outside funding and other support.

#### Innovation



## A Leveraging Opportunity: Riverside Leads the Pack



## RECOMMENDATIONS:

### That the City Council:

1. Authorize the City Manager pursuant to Council Direction on March 12, 2024 and City Purchasing Resolution 23914 Section 602 (c) to execute a sole source contract and any amendments with the Inland Empire Community Foundation, not to exceed \$3,813,766 of ARPA funds to provide funding and technical assistance to not-for-profit agencies located in or benefitting the City of Riverside;
2. Authorize the City Manager or designee to sign any-and-all associated contracts, extensions, and associated documents to establish a revolving loan fund and to establish a partnership with the Inland Empire Community Foundation for this purpose, making minor corrections as necessary.

