

Riverside Nonprofit Resilience Fund

A Revolving Loan Fund for Riverside's Nonprofits

Office of the City Manager

City Council
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Presented by:

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Inland Empire Community Foundation

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Background

- **October 10, 2023:** City Council affirmed their commitment to funding Riverside's nonprofits with American Rescue Plan Act (ARPA) Dollars.
 - To support disproportionately impacted communities;
 - To mitigate nonprofits' economic hardships;
 - To address nonprofit development and sustainability.
- Staff is directed to return to Council with a plan.



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Hearing from the Experts

- **November 3, 2023:** Convened a small focus group of nonprofit and philanthropy leaders.

- **We heard:**

Riverside's nonprofits struggle to quickly access funding for capital improvements & acquisitions, innovations, and working capital.



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Articulating the Need

- Nonprofits need **a financial safety net** as they wait on committed funding from government contracts;
- There is almost no **seed capital in Riverside to innovate** around new ideas or market-based strategies like social enterprises;
- Nonprofits find it difficult to **access private capital to improve or purchase properties**, due to a lack of collateral or the bank's difficulty identifying a nonprofit's repayment method;
- **Charitable and philanthropic giving is less robust** in the Inland Empire than in our neighboring counties.



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**ARPA dollars are one-time funds.
But the need for nonprofit support is perpetual.**



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A Bold 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, **supporting Riverside's nonprofit sector for the long-term.**

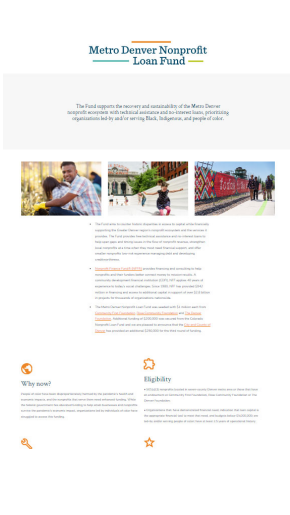


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New to Riverside (But Not a New Idea)



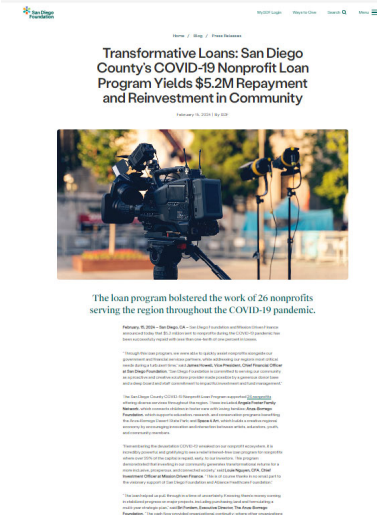
Metro Denver Nonprofit Loan Fund

The fund supports the recovery and resiliency of the Metro Denver region through such critical services and for broader forms, prioritizing organizations by such as serving Black, Hispanic, and people of color.

Through the Metro Denver Nonprofit Loan Fund, the fund provides financial support to nonprofit organizations in the region that are serving the community. The fund provides loans to nonprofit organizations that are serving the community. The fund provides loans to nonprofit organizations that are serving the community. The fund provides loans to nonprofit organizations that are serving the community.


Why here?

Eligibility




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

January 16, 2024 by SDP



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

Through this loan program, we were able to quickly assist nonprofit organizations that were struggling to stay afloat during the COVID-19 pandemic. The program provided \$5.2 million in loans to 26 nonprofits, which have since repaid \$5.2 million and reinvested it in their communities.



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The Inland Empire Community Foundation

- The oldest community foundation in the Inland Empire;
- Stewards \$130M in assets;
- Experience managing community-specific funds.





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The Inland Empire Community Foundation believes that impact investing is a key tool and needed infrastructure to grow nonprofit capacity in the City of Riverside.

The IECF's Investment Committee has researched this concept over the last two years and is ready to move forward.



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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; and
- Funding that enables eligible nonprofits to develop and expand services.



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Fund Structure:

Governance:

- The Inland Empire Community Foundation as the fiscal host;
- Partnership with a loan manager;
- Establishing an Advisory committee.



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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; and
- Value-added social, community and/or environmental impact to the services or solutions provided by the borrower.



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Proposed Funding:

Funding Source	Amount
Reallocate ARPA Spending Items:	
Nonprofit Development Programs	\$240,000
Nonprofit Grant Support	123,766
Nonprofit Partner Community Programs	1,000,000
Subtotal	\$1,363,766
Allocation Request:	
ARPA Program Interest Earned	\$1,000,000
Previous ARPA revenue replacement funds:	
Loan Fund Start-Up Costs	150,000
Operational Costs	300,000
Subtotal	\$450,000
Total Funding Request	\$2,813,766

**Startup and operations for years one and two*:
\$450,000 TOTAL**

**Future years management costs could potentially be covered from the interest charged and outside funding sources.*

ARPA funds must be spent by the end of 2025. If the City Council approves staff's recommendations, the proposed Loan Program would be capitalized with the General Fund Reserve Account, and the actual ARPA allocations previously approved for non-profit assistance would then become allowable revenue replacement to the City.

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A Leveraging Opportunity



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Next Steps:

- If approved, return to City Council with a Sub-recipient Agreement (90-120 days);
- Form Advisory Committee and build Fund infrastructure;
- Hire a Loan Manager;
- IECF will lead outreach in late fall of 2024; and
- Open applications in late 2024 / early 2025.



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STRATEGIC PLAN ALIGNMENT:

Envision Riverside 2025 Strategic Plan Priorities:



#3 Fiscal Responsibility

#4 Innovation

Cross-Cutting Threads



Community Trust

Accessible program using a trusted partner.



Fiscal Responsibility

Loan repayments and interest keep program capitalized.



Sustainability & Resiliency

Fund able to attract outside funding and other support.



Equity

Support for groups working in the Riverside community.



Innovation

Longer term viability than a grant program.



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RECOMMENDATIONS:

That the City Council:

1. Authorize the establishment of a new **Non-Profit Revolving Loan Fund-the Riverside Nonprofit Resilience Fund** under the general parameters specified in this report; and
2. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to:
 - a. Record a reallocation of funds from various American Rescue Plan Act Expenditure Plan Projects to General Fund revenue replacement in the amount of \$1,363,766; and
 - a. Allocate American Rescue Plan Act Expenditure Plan interest earnings in the amount of \$1,000,000 to General Fund revenue replacement;



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RECOMMENDATIONS:

- c. Record a supplemental appropriation in the Grants and Restricted Fund, American Rescue Plan Act accounts in the combined amounts of \$2,363,766 and record an interfund transfer of the same amount to the General Fund to effectuate the American Rescue Plan Act revenue replacement allocation;
- d. Record a supplemental appropriation in the General Fund the amount of \$2,363,766 and record an interfund transfer of the same amount to the Grants and Restricted Fund, Non-Profit Revolving Loan Fund Account; and
- e. Record a supplemental appropriation in the Grants and Restricted Fund, Non-Profit Revolving Loan Fund Account in the amount of \$2,363,766 to establish a revolving loan fund; and



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RECOMMENDATIONS:

- f. Record a supplemental appropriation in the General Fund in the amount of \$450,000 of previously transferred ARPA revenue replacement dollars and record an interfund transfer of the same amount to the Grants and Restricted Fund, Nonprofit Revolving Loan Fund Management Account; and
 - g. Record a supplemental appropriation in the Grants and Restricted Fund, Nonprofit Revolving Loan Fund Management Account in the amount of \$450,000 of previously transferred ARPA revenue replacement dollars for start-up and ongoing management costs directly related to a Nonprofit Revolving Loan Fund); and
3. Authorize the City Manager or designee to establish a partnership with the Inland Empire Community Foundation for a nonprofit revolving loan fund and prepare a subrecipient agreement and all other necessary legal documents related to the program, returning to City Council for review within 90-120 days.



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