

## I. Organization Background Information

**Name of Organization:**

Puerto Rico Community Foundation

**Mission Statement:**

**Please limit to 1000 characters. Please be aware that your content may be truncated if you are pasting from another source.**

The Puerto Rico Community Foundation ("PRCF" or the "Foundation") is a private non-partisan, non-profit philanthropic institution established in 1985. Its mission is to develop Puerto Rico communities' capacity to achieve their social and economic transformation; maximize philanthropic investment and the social and economic yield of each contribution. PRCF is an independent tax-exempt entity pursuant to the provisions of Section 501(c) (3) of the United States Internal Revenue Code as amended.

**Overview of Organization:**

**Please limit to 2500 characters. Please be aware that your content may be truncated if you are pasting from another source.**

In 1985, a group of local and stateside leaders joined to create a new institution for the development and advancement of Puerto Rico. Over the past 34 years, the Puerto Rico Community Foundation has granted over \$75 million to initiatives addressing pressing needs in the areas of education, health, community leadership, housing, economic development, arts, drug prevention, environment, women, youth, among others; provided invaluable technical assistance, leadership, capacity building and advocacy to nonprofit organizations and low-income communities. Our trajectory has allowed us to become philanthropic advisors to donors (individuals, families, corporations and other foundations) in the establishment of donor-advised and designated funds to serve the community in the form of grants, scholarships, and award recognitions. For many years we've been a strong supporter of community economic development, working very closely with community-based organizations that focus on job generation - incubators and accelerators. After hurricane María, we activated a Recovery Fund that has received nearly \$11.9 MM mostly from community and private foundations in the US. It allowed us to grant over \$1.7MM to approximately 123 non-profits as emergency relief. In the recovery/renewal phase we will continue to work in the areas of economic development, housing, and education, but added some areas of immense priority to our communities such as energy and water. The island's energy infrastructure was severely damaged and is constantly interrupted. Our energy strategy includes working with communities in the development of community solar microgrids, constructed and managed by the community and; provide a solar alternate source of energy to community health clinics, many of which are located in remote mountainous areas. So far, we've granted more than \$200K to a community in Ciales to establish their energy microgrid in which 25 houses will be connected. While more than \$100K has been granted to provide solar energy to five community health clinics, so far. Our plan regarding water has set us to work directly with communities that have a community aqueduct structure, approximately 237 of them, mostly in the rural mountainous regions in PR. Various years ago, we were able to establish a Community Investment Fund, which is the only loan fund providing financing exclusively to non-profit organizations on the island.

**Website:**

www.fcpr.org

## II. Proposal Contacts - Please enter information for the Primary and Secondary Proposal Contacts

## Primary Contact

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**Last Name**

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Secondary Contact

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**Zip**

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III. Proposal Information

**Proposal Title:**

The Community Investment Fund- socioeconomic impact to enhance the Non-profit sector in Puerto Rico

**Support Request (check all that apply):**

Investment/Grant

**Requested Dollar Amount:**

\$1,000,000

**Please list other Significant Partners in the Proposal:**

Our social investors had been the commercial banks and privates foundations that had made possible the capitalization of the CIF.

Our current investors are:

- First Bank of Puerto Rico
- Banco Santander
- Scotiabank
- Oriental Bank
- Fundación Ángel Ramos
- Presbyterian Foundation

**Proposal Description:**

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The PRCF established the Community Investment Fund program (CIF) that complements our mission by maximizing the flow of capital to underserved communities in order to foster a more equitable and sustainable society. The CIF is the only lending program for non-profit organizations in PR. It follows the model of other similar funds in the US. The CIF is a mission-driven fund and an innovative instrument of access to financial capital for non-profit organizations. The CIF is led by its Credit Policy which directs the process for which the program officer should analyze the application. The CIF program provides loans to community loan programs for SMEs; affordable housing rehabilitation; projects with an identified repayment source, AKA bridge loans; and feasible activities with a projected financial and social return. The funds are lent at a below-market rate. The CIF works with a more flexible process differentiating from traditional banking, being able to go beyond the standardized credit models used by larger banks and to consider a range of factors when making credit decisions. The CIF represents the piece of access to capital that organizations need to offer competitive and innovative services to the communities they serve. The biggest hurdle that we're facing is that NPOs in PR, have been offering the basic services to individuals do to the failure of the government in providing them. These services are provided because of this org with the payment deadlines, strangling the organization regarding their operational capital. The majority of the applications that we receive are for bridge loans. Rates for this type of financing is usually in the 5-8% range, according to our credit policy. Our proposal consists of capitalizing the CIF with a grant in order to scale up our Fund and reach more organizations in need. The CIF has become more relevant these days in which the gov. insists on being in default to comply with their service contracts, especially with the NGOs. We expect in 2020 an increase in the demand for capital as the local HUD starts to issue the RFP's for the CDBG-DR grants. The NPO's, especially the community-based will need access to nontraditional loans in order to deliver with these proposals, otherwise, they will not be financially stable to carry on with reimbursement of these funds.

**Issues Addressed (check all that apply):**

Community Development Finance, Other

**If you selected "other" above, please describe.**

Loans exclusively to not for profit organizations

If your project affects multiple states or counties, please use the CTRL key to multi-select.

**Geographic Impact**

State-wide

**U.S. States & Territories:**

Puerto Rico

**Population Served:**

**Please limit to 500 characters. Please be aware that your content may be truncated if you are pasting from another source.**

The Community-based/ Not for Profit organizations in Puerto Rico that don't have access to traditional loans or investment capital more than the competitive grants that are not available in most cases for working capital.

**Population Income by Area Median Income (AMI) and other identifiers (percentage of Free and Reduced Lunch for youth or designated "Disaster Area" or designated "Distressed or Underserved" served by proposal:**

Puerto Rico, which is confronting a decade-long economic recession, a virtual government bankruptcy, and the impact of Hurricane María (2017), one of the most devastating hurricanes in recorded US history. Moody's Economic Indicators report provides a good summary: Economic recession on the island has led to a net population loss since about 2005, as large numbers of residents moved to the US mainland. The trend has accelerated since 2010; in 2014, Puerto Rico experienced a net population loss to the mainland of 64,000, more than double the net loss of 26,000 in 2010.

According to data from the Solidarity Network (<http://www.redsolidaridad.org/estudio-organizaciones-sin-fines-de-lucro-revela-impacto-y-evolucion/>), in 2015 there were 11,570 non-profit organizations (NPOs) in Puerto Rico which offered services to 700,000 people. They had created 150,410 full-time jobs, which is equivalent to 16% of the country's total employment. This represented an estimated \$ 2.2 trillion payroll that was distributed as follows: \$ 971 million in those offering social services, \$ 965 million in health-related services and another \$ 258 million in the education line. This represents 6.6% of the Gross National Product (GNP) of the country.

The services offered by the NPO sector have a positive impact on the Treasury and the limited services offered by the state to the most vulnerable sectors of the country. For every dollar that the government allocates to an NPO that offers health and / or education services, they save \$7 in the health sector and \$20 in the education sector. Which implies that the nonprofit sector can maximize resources to offer the same or better services. By 2015, the NPO sector was also able to mobilize 381,481 people who volunteered.

To enable and sustain this work of humanitarian, solidarity and human development proportions, the NPO sector has among its sources of funds: individual donations in the (43.4%), fundraising activities (41.8%), state donations, municipal or legislative (38%), contracts to provide services with government agencies (18%) and self-sustainability programs (31.3%). In the past years, the Government hasn't been able to subsidize most of these services because of the economic downturn.

Hurricane Maria struck the island on September 2017 causing catastrophic damage, including the destruction of the electrical grid that had been crippled by Hurricane Irma just two weeks before. It was the worst storm to hit the island in eight decades, and the damage is estimated in the tens of billions of dollars.

Diminished job opportunities prompted a sharp rise in outmigration, as many Puerto Ricans sought jobs on the US mainland. Unemployment reached 16% in 2011 but declined to 11.5% in December 2017 because of the injection of immediate relief funds. This economic situation gets worse for the NPOs, as well as the entire country after September 2017. The whole island is facing a new reality that is unprecedented in our modern history. Hurricane María hit the island on September 20, 2017. The eye of the hurricane hit 22 of the 78 municipalities with category 4 hurricane winds and in some cases category 5 of the Saffir-Simpson scale. According to Dr. Eileen Segarra, economist, of these 22 municipalities, in 18 of them, the levels of poverty are above the average of the country. According to official reports about 200,000 homes were affected severely and of those, 75,000 were destroyed. The reconstruction of these has been estimated at about \$ 37 billion. According to the Census Information Center (CIC) of the University of Puerto Rico in Cayey, the poverty rate could rise from 44.3% to an alarming 52.3%. This situation is deepened and complicated by rampant unemployment, which is projected to reach record rates of up to 20%, the closure of more than 5,000 businesses and the loss of thousands of jobs. The estimated total losses have been calculated at over \$ 200 billion.

The loss of employment, after Hurricane María, has been estimated in thousands. The United Retailers Center estimates that some 5,000 small businesses closed (United Retailers Center). The Department of Labor indicates that because of hurricanes Irma and María, 175,000 people who had a job could not work immediately after the hurricane in September 2017.

The Federal Reserve of New York indicated that 80% of our workforce in the private sector and the small businesses and micro-companies were the most affected. Mostly businesses with ten employees or less. Of that 80%, 31% report income of less than \$ 50,000 per year.

Another interesting fact is that according to the Small Business Administration, 93% of employees in the foodservice industry work for family businesses. After Hurricane María, it is estimated that approximately 65% of the 45,000 SME's have closed and that 20% may not be able to reopen.

This is the new reality for Nonprofit Organizations (NPOs) in Puerto Rico. The reality that represents very complex scenery and at the same time extremely limited resources in order to achieve the reconstruction of Puerto Rico.

**Anticipated Outcomes/Impact:**

**Please limit to 2000 characters. Please be aware that your content may be truncated if you are pasting from another source.**

SEE ATTACHMENT -LOGIC MODEL

To capitalize on the CIF means providing opportunities to align capital contributions to PRCF's mission and values, providing access to capital to nonprofit corporations that promote economic and social development in the communities they serve. This program follows the model of other similar funds in the US designed by community foundations, nevertheless, as of today, the only one in Puerto Rico.

It fulfills several purposes: (i) the generation of economic activity through job creation and retention and third parties; (ii) it provides organizations and investors with a financial return; and (iii) it provides the community with a social performance through the services and programs offered by the organizations.

The economic objectives are as follows:

1. Scale up the Community Investment Fund to enhance capital flow to create jobs and build assets at a grassroots level;
2. Provide a financial instrument for nonprofit corporations working in underserved communities;
3. Offer a financial instrument that contributes to the creation of new businesses, micro-businesses, small businesses;
4. Provide a financial instrument to cover affordable housing rehabilitation;
5. Serve as a tool for financial inclusion to support community economic and social development.

**Describe evaluation methods used to measure success:**

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**ACHIEVEMENTS:**

As of today, the loans granted have made possible the creation and retention of 150+ jobs, through financing to 10 community organizations during the first 3 years of the CIF, for a total of \$1,667,419 in financing. In addition, these social investments had enabled the rehabilitation of 6 affordable housing units for sale to low-income families. The loans fluctuate from \$250k max and the average loan application has been for \$175k. We have received an investment of just over two million, however, it's been allocated and disbursed. It is important to point out through our history we have zero default in all loans disbursed.

**FINANCIAL RETURN**

- An important indicator is the loan portfolio repayment status
- All interest and principal repayments will revert to the fund in order to establish a financially stable revolving loan fund.
- We expect to disburse the total amount of funds within the next 18 months.
- The earnings will be used for community development with social and financial returns and to pay expenses related to the operation and financing of the CIF.

**SOCIAL RETURN-IMPACT INVESTMENT**

- At the PRCF we focus on results, meaning the activities produced by the investment, instead of outcomes, and on the actual social or environmental impact created by the investment.
  - o Employment – job creation and retention
  - o Enterprises created and sustained with the loans to capitalize on CDFI's business microloans programs

**Project time frame - Is your request for an existing or new program?**

Existing Program

IV. Submit Supporting Documentation - Please attach your most recent audited or reviewed financials in PDF format to this proposal application. Your proposal application will be considered incomplete until the appropriate financial documentation is provided. By submitting a proposal application you agree to share with the Federal Reserve information regarding connections that were made with funders regarding the proposal or other work your organization conducts that was identified by a funder that used the Investment Connection platform. After you submit a proposal application, we will follow up with you to see if Investment Connection was helpful with your informational and business needs.

**Upload your most recent audited or reviewed financials****(for internal uses only)**

PR Community Foundation FS 12.31.18.pdf

V. Other Supporting Documentation - You may submit a photo (jpeg) and/or a video (mp3 or mp4) that helps describe your proposal. (information available to funders)

**Upload a picture or video that helps describe your proposal or organization****(information available to funders)****Upload additional picture or video****(information available to funders)****Add any additional links to supporting documentation****(information available to funders)**

- Link to CIF mail bulletin: <https://is.gd/RpeCSJ>
- Transparency Report | Sustainable Renovation for Puerto Rico, One Year After Hurricane Maria <https://www.fcpr.org/wp-content/uploads/2019/03/Versi%C3%B3n-WEB-1.pdf>
- For news regarding the Investment fund, please see <https://newsismybusiness.com/nonprofits-community-foundation/>
- Video Energy, water, housing, economic development, and education | Sustainable Renovation for Communities in Puerto Rico [https://www.youtube.com/watch?v=OFICNrP\\_N8g](https://www.youtube.com/watch?v=OFICNrP_N8g)
- Video Water | Community Aqueducts Gathering in Puerto Rico <https://www.youtube.com/watch?v=UQocFeLfMy8>
- Video Housing | Rebuilding a home with the embrace of philanthropy [https://www.youtube.com/watch?v=2zphUGQcL\\_w](https://www.youtube.com/watch?v=2zphUGQcL_w)
- Flyer CIF <https://www.fcpr.org/wp-content/uploads/2019/01/Flyer-FIC-para-imprenta-Versi%C3%B3n-2-final.pdf>

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