

CASE STUDY

A Multi-Faceted Approach to Community Investing:

Opportunity
Finance Network's
Grow with Google
Small Business
Fund and the
Sustainability Bond



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GOOGLE'S PARTNERSHIP WITH OFN AND THE GOOGLE SUSTAINABILITY BOND

Innovative, multi-tiered community investing engagement by a major tech company.

IN RESPONSE TO the COVID-19 pandemic and subsequent economic crisis, Google (and its parent company, Alphabet Inc.) quickly leveraged portions of its corporate treasury and philanthropic arm Google.org to support U.S. small businesses and its sustainability commitments globally.

In the early days of the pandemic, Google partnered with Opportunity Finance Network (OFN), a national network of CDFIs, to structure a fund with several critical elements: patient, 10-year capital with below market loan rates combined with equity grants to provide flexibility to the CDFIs receiving capital. The end result was the Grow with Google Small Business Fund, an initiative funded by Google and administered through OFN to flow responsible, affordable and flexible capital to OFN's CDFI members lending to small businesses in the recovery. The fund is comprised of \$170 million in loan capital from Google's corporate treasury, paired with \$10 million in Google.org grants, all directed to support communities often overlooked by traditional lenders and with a racial equity lens.¹

Through the Grow with Google Small Business Fund, small business lenders like Citizens Potawatomi Community Development Corporation (CPCDC) – one of the largest Native-owned CDFIs in the United States – received loan and grant capital to help provide financial support and technical assistance to its small business borrowers, 96% of which are Native-owned. Further, beyond the capital directly provided, participating CDFIs have reflected that the success of Google's paired investments and grants attracted capital from other investors, suggesting the financing was catalytic in its multiplying effects.²

To extend the scale of its pandemic response and stakeholder support efforts, Google also issued \$5.75 billion in Sustainability Bonds in August of 2020 to raise investment capital for eight major impact themes, such as clean energy, affordable housing and



¹ Opportunity Finance Network (OFN), "OFN Announces Grow with Google Small Business Fund," March 2020.

² Based on comments made by panelists at a 2020 panel hosted by OFN.

support for small businesses through CDFI lending. Google estimates that it is the largest sustainability bond issuance of its kind by any corporation to date, and it was significantly oversubscribed, suggesting strong demand by investors.

This is particularly intriguing when considering the fact that CDFIs traditionally struggle to access the capital markets, with only a few of the largest S&P-rated CDFIs successfully issuing bonds. In part, issuing the Sustainability Bond allowed Google to access the capital markets on behalf of CDFIs and their communities. As such, investors who may be eager to invest in Google are also investing in clean energy infrastructure, affordable housing and small business financing for Black communities, to name a few possibilities. For example, Google will leverage its bond proceeds toward its \$1 billion commitment for the development of affordable housing in the San Francisco Bay Area announced in 2019.³ Acknowledging that its commercial footprint expansion in the area could have implications for the availability of affordable housing, Google made the commitment as a way to remain accountable for its impacts on the communities in which it operates.

These initiatives illuminate a pathway for other corporate actors, particularly large tech companies, to engage in community investing efforts. It is no longer the case that social or environmental goals must be siloed within philanthropic structures and strategies. Corporations are beginning to see opportunities in community investing strategies, and they are also likely responding to public perception pressures. While these trends are encouraging, the sustainability of these activities following the crisis set is unclear. 🏡



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³ Google Company Announcements: “\$1 billion for 20,000 Bay Area homes,” June 2019.