

Coalition's impact investment strategy focused on a new ending to hurricane Sandy song

SUMMARY

A coalition spearheaded by UBS Private Wealth Management, built around a place-based investment strategy and convened by the Jon Bon Jovi Soul Foundation is poised to rebuild the Jersey Shore from the ground up. The model, if successful, could offer a long-term strategy for devastated and disaffected communities.

AUTHOR

Amplifier Strategies builds and scales mission-driven programs to create lasting benefits for society. Our interest in innovative new approaches to deploying capital attracted us to the collaborative effort of UBS and the JBJ Soul Foundation. This effort is compelling as a significant place-based investing model with the potential to scale to a wide audience.

The Cost of Hurricane Sandy

\$65B

Estimated Cost

346,000

Homes in New Jersey damaged or destroyed

22,000

were uninhabitable

190,000

businesses affected

(Source: Center for High Impact Philanthropy)

Introduction

First came the wind and rain. Then came floodwaters and fires that together laid waste to a community along the banks of the Jersey Shore. Television cameras, politicians, goodwill donors and volunteers from around the world poured in next. For a brief time, hurricane Sandy filled the world stage. Then just as quickly, it all receded, leaving behind the Herculean task of rebuilding a community from the ground up.

Native New Jerseyan Jon Bon Jovi didn't leave, nor did the inspired work of his foundation, the JBJ Soul Foundation. Three years later, the people of the Shore can draw hope from a new innovative investment strategy created by a new coalition of companies and leaders called Impact New Jersey. Beyond supporting the Jersey Shore, the coalition seeks to provide definitive answers to the lingering question of how social impact investing can help communities discover resilience and prosperity in times of distress. If effectively answered in the months to come, this groundbreaking coalition will have created a place-based investing strategy that may well become a model for troubled spots everywhere.

The Shore: A community on the margins

Jersey residents know two things to be true: First, that hurricane Sandy wasn't the region's only blow, but it was the most wrenching. Second, that the tremendous outpouring of support during the crisis was a literal lifesaver—but it failed to endure.

"We had seen in New Orleans that the recovery process would be a long slow process. We also knew that we would have to plan for the long term, as people's interests shifted away from Sandy survivors," Bon Jovi said. "To think that there are still families without kitchens to cook in and feed their families three years after the storm is inexcusable."

The Great Recession had already done a number on the nine counties that comprise the well-known Jersey Shore. The economic downturn—particularly the mortgage bubble—hit the area hard, leaving thousands with depleted savings, rising adjustable rates and increasingly distressed finances. Foreclosures and unemployment were on the rise and small businesses were struggling. Then came a weather disaster so severe, it popularized a phrase known only to meteorologists prior to October 28, 2012: "Superstorm" Sandy arrived and crippled an already struggling region.

The good news in this otherwise bleak tale is that while national attention and philanthropic relief quickly shifted away, those with deep ties to the region remained committed to the long-term effort.

"When I arrived in my hometown of Sayreville in the days immediately following Sandy, I saw first hand the homes and lives that were devastated by the storm," Bon Jovi said. "I was struck by the stories of families that had repeatedly applied for

The Players



Jon Bon Jovi
Founder JBJ Soul
Foundation

“People who want to do good with their money can see positive impact in communities and help with long-term recovery while earning money. It is this perfect synergy that is the appeal.”



Katherina M. Rosqueta
Founding Executive Director
Center for High Impact
Philanthropy

“For investors, the million dollar question is, ‘how can I use my resources to make the biggest impact on the situation?’ It’s about changing the world.”



Mimi Box
Executive Director, JBJ Soul
Foundation

“We want to announce to people in the community that they have not been forgotten.”

rezoning from the Army Corps of Engineers for years and the bureaucracy they confronted. I knew that they needed a strong voice to advocate for them to shine a light on their situation.”

The Jon Bon Jovi Soul Foundation had deep ties to The Shore prior to the storm. The foundation targets food insecurity and homelessness, according to Executive Director Mimi Box.

In the storm’s aftermath, nearly \$1 million in relief donations flowed in, a trifle compared to billions in losses. Box began to consider what could be meaningfully accomplished.

“At some point it struck a chord,” Box said. “This is going to be, at a minimum, a 10-year process.”

In the early days after the storm nobody was talking about sustainable rebuilding, according to Box.

“In seeing all the grant money that flowed in for the immediate relief we started worrying about that long-term impact. That’s when we had the conversation.”

The \$100 million conversation

The folks at the JBJ Soul Foundation attended a dinner called “Conversation of Philanthropy” hosted by Maria Tanzola, senior vice president and private wealth advisor for UBS and Bill Sutton, head of client philanthropy for UBS, U.S.

As fate would have it, at least one other person in attendance still had hurricane Sandy on her mind. A Shore resident herself, Tanzola still wasn’t anywhere close to rebuilding her family home, which had been completely destroyed by Sandy. “The conversation” descended from 30,000 feet to the nitty-gritty landscape of destroyed homes, stalled and inadequate insurance funds, and the need for a holistic effort to rebuild a community, says Tanzola.

Their conversation shifted toward an innovative plan for place-based investing. Details were few, but the energy in the room was unmistakable.

“Bill (Sutton) said, ‘I think we can do something with this,’ and then they took it and ran with it,” Box said.

Sutton recognized the impact of having a project driven toward investment strategies that could provide sustainable funding for the ongoing need in New Jersey.

“Donations, while wonderful, weren’t enough to address the ongoing challenges,” Sutton said. “So we wanted to attack this in a different fashion by leveraging capital into lasting change.”

The UBS Team



Bill Sutton
Head of Client Philanthropy
UBS

“We wanted to attack this in a different fashion by leveraging capital into lasting change.”



Maria Tanzola
UBS Private Wealth Advisor

“From an investment perspective it’s kind of unheard of to bring the different pieces of portfolios together in one room to discuss impact.”



Maryellen Frank
UBS Private Wealth
Management

“There is no need to compromise. What this type of investment does is it has the possibility to amplify private grants and donations already on the ground.”

Sutton and Tanzola reached out to other organizations, including Jersey-based nonprofits working to address relentless housing issues. He recruited financial partners that could help build a comprehensive investment strategy that would funnel funds into the community but also give market-rate returns to investors.

“We really tried to surround the issue in a new way with a coalition of thought leaders from a variety of sectors to best solve the problem,” Sutton said.

An ambitious plan framework emerged, both in terms of the collaboration of diverse partners and the amount of money the group hopes to raise: \$100 million.

Riffing Session

In late 2014, UBS hosted all interested principles to move from theory to practice. Representatives from UBS Asset Management, UBS Bank U.S.A., Community Capital Management, Calvert Foundation, New Jersey Community Capital and the JBJ Soul Foundation attended the event, dubbed by Bon Jovi a “riffing session.”

“From an investment perspective it’s kind of unheard of to bring the different pieces of portfolios together in one room to discuss impact,” Tanzola said. The financial riffing session and the coalition it built is, “a first of its kind.”

Market-based, social-impact investments have the potential to address economic development. They are also no longer considered a truly “niche” investment product for those seeking philanthropic engagement. In the last couple of years, social impact investing has risen to a total of \$6.57 trillion. This represents 18 percent of total invested assets in the U.S. market, according to the U.S. SIF 2014 Report on Sustainable and Responsible Investing Trends in the United States.

“Philanthropists don’t have to separate their investment dollars from their philanthropy,” said Maryellen Frank, UBS Private Wealth Management. “There is no need to compromise. What this type of investment does is it has the possibility to amplify private grants and donations already on the ground.”

Combating Donor Fatigue

This shift from donor-based giving to social impact investing thrilled JBJ Soul Foundation officials. Asking for more money for a community that had fallen out of the public eye could not address the remaining needs.

The riffing session paid off with a clear direction and fresh enthusiasm for rebuilding the Shore. An ambitious, feasible, credible plan emerged. But those closest to the storm itself—Bon Jovi, Box, Tanzola—wanted to ensure the plan was backed by more

The partnership



than their first-hand experiences. A final step was needed: JBJ Soul Foundation awarded a grant to the Center for High Impact Philanthropy (CHIP) at the University of Pennsylvania to assess the real situation on the ground and confirm the potential for investing impact.

Carra Cote-Ackah, CHIP's director of partnerships and strategic initiatives, said that their study of impacted communities combined scholarly research, informed stakeholders and leadership opinions, and the testimony of those most impacted. The report culled nearly 70 different sources of information.

Their research underscored the need to focus investment on mortgage relief, affordable housing and small-business support.

"These communities were long suffering, in particular after the downturn in 2008," Cote-Ackah said. "The road to recovery is long. Sandy was an important and terrible disaster for the community, but they were already in the struggle."

This ongoing struggle made a strong case for a funding strategy with the sustainability necessary to rebuild the community.

Katherina M. Rosqueta, founding executive director for CHIP and adjunct faculty of the School of Social Policy and Practice at the University of Pennsylvania said the proposed impact investment strategy meets a strong need with those looking to help.

"For investors, the million dollar question is, 'how can I use my resources to make the biggest impact on the situation?' It's about changing the world." Rosqueta said.

Collaboration of Capital – The plan for the Shore

In simplest terms, this collaboration created a local impact portfolio with a unique blend of participants. Called Impact New Jersey, it pairs conservative, place-based investments with a fixed rate of return with market-rate investments. Investment funds are directed to key partners working in targeted areas: affordable housing, mortgage relief and local economic development.

As we explored the details of Impact New Jersey, Amplifier noted several aspects that make this particularly innovative. In our research on place-based investing and below-market rate returns, one of the key challenges is how do you make it appeal to a much larger audience? Key principles of success are evident in this approach.

- First, collaboration invites each partner to do what they do best, whether it's managing market-rate investments or focusing on local rebuilding.
- Second, Impact New Jersey has mainstream appeal. By bundling multiple offerings into a single portfolio, those seeking market-rate returns are satisfied as are those looking to have impact.

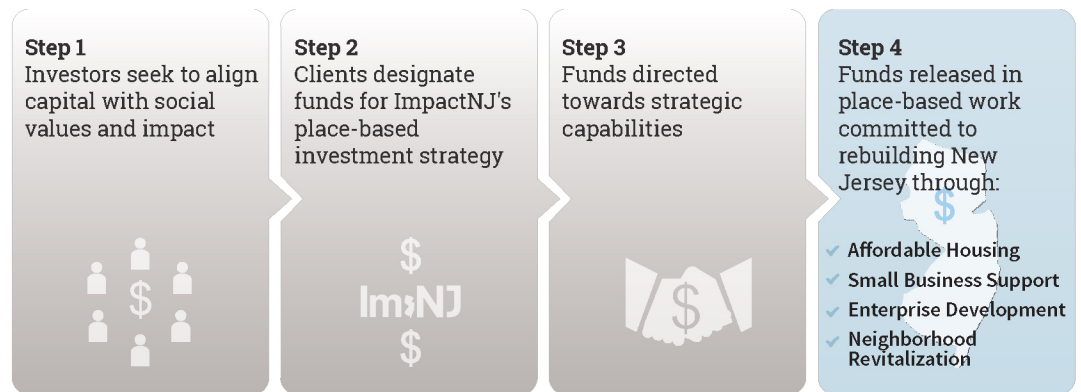
Examples of potential investment opportunities

- Support a fund to buy nonperforming mortgages from banks
- Increase supply of affordable housing and rental units
- Increase low-interest capital available to business in affected communities

(Source: Center for High Impact Philanthropy)

- Third, mainstream appeal speeds transformation. Because this approach satisfies diverse investors and features the unique convening power of a beloved musician, we believe it can drive a higher volume of capital into place-based strategies, namely in New Jersey.

The Impact New Jersey Plan



The JBJ Soul Foundation enthusiastically embraced the evolution of Impact New Jersey, becoming its inaugural investors and public champion. Dorothea Bongiovi worked on the Impact New Jersey logo. Bon Jovi will use his voice to elevate this in the public eye.

The funds will be allocated to UBS Asset Management's Global Sustainable Investment Strategy, Calvert Foundation and Community Capital Management. The collaboration will engage with Jersey residents, civic leaders and others to identify strategies of investment that will have the greatest impact.

David Sand, Community Capital Management Chief investment strategist, said CCM offers a qualified investment fund. The bonds being purchased will fund community redevelopment, he said.

"Basically, we can customize portfolios to complement the organization's mission," Sand said. "In this particular client, it's targeting investment in Jersey on their behalf."

Community Capital Management and Calvert Foundation add proven track records of place-based investment to the strategy.

"We do this around the world," Justin Conway, vice president of investment partnerships at Calvert Foundation, said. "We work in 60 different countries and all the states. The market exists, and we see incredible demand for our capital."

The real story on the ground



Maria Tanzola
UBS Senior
Vice President,
Private Wealth
Advisor

Six months before the storm, Maria Tanzola of UBS had finished remodeling her family home on the Shore. The day after the storm, her home lay in complete ruin.

“We were very fortunate that we had family that we evacuated to close by.”

The red taped-filled process of rebuilding her old home from scratch began.

More than three years after hurricane Sandy, Tanzola plans to return to her rebuilt home this Thanksgiving that she once rushed to vacate. Her check for maximum flood insurance didn't cover the costs of rebuilding. The delays for government funds stretched out for months and months, she said. And yet she's well aware that she's one of the fortunate ones. Thousands of her neighbors are nowhere near moving back into the places they once called home.

Calvert also adds predictability to the investment strategy, according to Conway.

“We are consistent. I can tell you what our returns are going to be. Outside of extreme circumstances we know what our product is going to yield (with a high around 3 percent). If you blend that in a portfolio that gets to the 5-7 percent rate, great.”

In this portfolio, Calvert Foundation seeks to provide consistent financial returns while lending to organizations like New Jersey Community Capital that are actively addressing community needs in Sandy affected areas.

New Jersey Community Capital, a state community development organization that worked in Sandy recovery from the first day, and other local organizations will address homebuilding and mortgage repair.

At a grassroots level, NJCC targets a house-by-house, street-by-street approach toward mortgage repair. The goal is to put people back into their homes, and barring that, turn the building into affordable housing.

“We try to address ongoing foreclosures through meaningful principle reduction,” Peter Grof, deputy to the president, said. “It's good strategy to keep homeowners in their homes and create affordable housing opportunities.”

With the groundwork in place, the next step is the big one: the \$100 million. Individual investors, foundations and institutions can opt to include this impact strategy into their overall investments for a financial return while making an impact.

Conclusion

As the third anniversary of hurricane Sandy approaches, the collaboration headed by JBJ Soul Foundation potentially offers the first significant blast of good news in a story that has long been mired in struggle.

“I look forward to seeing families back in their homes, kids playing in their yards, businesses thriving, jobs returning, all the simple things that we take for granted until we no longer have them,” Bon Jovi said.

Box said Bon Jovi will soon be on the frontlines announcing this. Throughout the organization is a desire to deliver good news people can count on.

“We want to announce to people in the community that they have not been forgotten,” Box said. “Victims think Sandy is forgotten, but to hear that there is a new opportunity for recovery and stability, as Jon would say, ‘bring back Main Street in our community.’ That's got good roots.”

Take Action

Those that value sustainable investing can build these strategies into an individualized investment plan. For assistance implementing your principles in a strategic and thoughtful way and to participate in this place-based initiative, contact Maria Farhat Tanzola of UBS Private Wealth Management.
maria.tanzola@ubs.com.

Once successful in New Jersey, this innovative approach can be scaled for use in other locales, according to Amplifier Strategies CEO Allison Duncan.

“In our work, we are regularly in conversations with foundations and philanthropists who are looking for ways to integrate capital,” Duncan said. “This approach is particularly unique in its ability to use a single product to appeal to mainstream investors looking for market-based returns, and an opportunity to support a place-based strategy.”

Until now, Sandy has been a story of place-based devastation. But the final verse to the song is still being written. All involved in this effort believe it will soon be a local story of the power of place-based investing, and that this model could be applied to any number of distressed communities. It could provide the disaster relief still needed in the aftermath of hurricane Katrina, or the answer to the devastating economic downturn of Detroit.

“We didn’t even know if it could be done,” Sutton said. “We know there will be more disasters. And we hope this is a program able to replicate that will help a lot of people moving forward.”

“Imagine what a difference we can make with the ‘Power of We’,” Bon Jovi said.