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# Client Stories

**Saint Paul & Minnesota Foundation**





**CLIENT:** Saint Paul & Minnesota Foundation

**DETAILS:** Community Foundation

**SERVICES:** PRI program development and execution

**DURATION:** 9 months

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## **THE SUMMARY**

The Saint Paul & Minnesota Foundation wanted to help stem steep job losses in St. Paul and knew that helping small businesses was the answer. But how can a foundation work with for-profit organizations? Together with Cogent Consulting PBC, they found the answer:

- Make \$2.1 million in low-interest loans to two fantastic local nonprofits that specialize in helping small businesses, especially those owned by people of color, women, and others left out of traditional banking.

# The Situation

**Between 2000 and 2011, St. Paul lost 13.4% of its jobs compared to 2.2% nationwide.<sup>1</sup>** As the largest community foundation in the state, the Saint Paul & Minnesota Foundation was especially well-positioned to address this job crisis. Though they sought to support job creation through small businesses, directly funding small businesses was not a feasible option from a policy perspective. They had not engaged in much impact investments at this point and were seeking the best practices of achieving the maximum social impact through job creation for under-served communities while maintaining financial success through the return of capital.

## The Solution

### **QUICK, FOCUSED RESEARCH INTO BEST PRACTICES**

In order to address the Saint Paul & Minnesota Foundation's situation, Cogent Consulting PBC first conducted a focused survey of the social purpose lending to support job creation landscape. This study incorporated individual interviews with 40 social capital lenders (including foundation presidents, CFO's, bankers, nonprofit loan fund directors), and a comprehensive literature review.

### **RESEARCH TO ACTION**

Cogent then designed and executed a program based on best practices in the social purpose lending field, the unique needs of Saint Paul, and the Foundation's objectives. The solutions presented in Cogent's study led to a preliminary commitment of a \$1,000,000 Social Purpose Loan to a community intermediary specializing in lending to women and people of color-led small businesses. Cogent designed an intentional Request for Proposals (RFP) that was so successful in finding possible partners that the Foundation doubled their initial commitment, allocating \$2,120,000 in loans.

### **INTEGRATED CAPITAL AT WORK**

In addition, the Saint Paul & Minnesota Foundation worked with their peers at the Northwest Area Foundation to add \$600,000 in grants to support technical assistance and a loan-loss reserve. The overwhelming response to the RFP indicated that this program had successfully reached and resonated with community partners and demonstrated long term implications for the success of impact investing in the East Metro region.

In a collaborative process with the Foundation's management and board, Cogent implemented a clear selection process and objective evaluation of each response. The Saint Paul & Minnesota Foundation successfully partnered with two intermediaries for their new job creation loan fund.

Cogent then trained the Foundation's talented financial staff to implement a robust reporting process linked to the loan fund to monitor risk and potential problems so that early intervention would be possible and financial risk would be mitigated.

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<sup>1</sup><https://philanthropynewsdigest.org/news/saint-paul-foundation-announces-loan-fund-to-support-job-creation>

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## Outcomes

### **QUICK, FOCUSED RESEARCH INTO BEST PRACTICES**

Cogent Consulting PBC successfully designed, sourced, and implemented new impact investments for the Saint Paul & Minnesota Foundation. The Foundation not only approved their organization's first strategic impact investments but also doubled its initial commitment. Two low-interest loans of \$1.06 million each were made to the Neighborhood Development Center and the Metropolitan Economic Development Association to support job creation in the Saint Paul area. In cultivating these decade-long partnerships with intermediaries supporting small businesses, the Saint Paul & Minnesota Foundation is able to see their dollars have multiple rounds of impact expanding beyond the reach of a traditional grant.

### **REAL RESULTS FOR REAL PEOPLE**

Additionally, Cogent's 9-month work with the Foundation resulted in a valuable increase in institutional knowledge for the Foundation. In working with key program staff, Cogent was able to impart the best practices of impact investing. Today, the Saint Paul & Minnesota Foundation has successfully established three more program-related investments with over \$6 million circulating in key communities. As of 2020, their investments focused on job creation have resulted in 366 new jobs created, 623 jobs retained, and 113 jobs projected, demonstrating that the social impact of their funds are working and will continue to have a long term impact. <sup>2</sup>The foundation's continued growth of their impact investment portfolio serves as the greatest testament to the positive outcome of Cogent's work and the financial stability of these investments.

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<sup>2</sup><https://www.spmcf.org/what-we-do/invest-in-community-led-solutions/program-related-investments>



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