

APPALACHIAN IMPACT FUND: Capital Investment Portfolio

March 15, 2019

PROGRAM DESCRIPTION

The Appalachian Impact Fund is a component fund of the Foundation for Appalachia Kentucky targeted to community economic development in the coalfield counties of Eastern Kentucky. Using a blended capital model, AIF has the flexibility to make traditional general operating support grants while utilizing program-related-investments (PRIs) to advance opportunities in the region that support economic diversification and build community capacity. AIF is committed to a three-prong approach, providing: capital, technical assistance (as necessary), and operating support. Additionally, AIF maintains an integrated portfolio that provides cross-learning and community-wide capacity-building.

Investment Principles

- We believe our investment should leave the community better than we found it by growing built, intellectual, and financial capital in the Coalfields.
- We are a niche funder, avoiding duplication of existing sources of finance and capacity. Our philanthropic structure provides us with flexibility many other sources of capital do not have.
- We support timely ventures with demonstrable potential for long-term financial sustainability and adjacent opportunity for others.
- We use investment to leverage additional financial support and capacity building to support local ventures and grow promising sectors.
- We aspire to be long-term partners, seeking out opportunities for near-term action with lasting impacts and opportunities.

Investment Areas

Our mission is to advance opportunities in the region that support economic diversification and build community capacity. We envision a day when Eastern Kentucky is a place of unique thriving local economies that enhance the existing natural and cultural assets of the region and offer economic opportunity for all people while keeping ownership, assets and wealth rooted in local communities. Our analysis has led us to focus investment in the following areas:

GEOGRAPHICALLY ANCHORED COMMUNITIES

We believe that to have thriving communities, our small towns and counties must be geographically anchored and provide amenities supporting both local life and the visitor experience.

Funding Priorities:

- Community revitalization through repositioning historic buildings and infill;
- Visitor economy infrastructure including attractions, hospitality, amenities, and culinary enterprises;
- Sustainable local value-added food production and culinary enterprises; and
- Arts and Culture enterprises.

WORKFORCE EMPOWERMENT

We believe that workforce development and retraining are a critical part of creating economic opportunity. Because there are already strong organizations in the region focused on workforce development and industrial recruiting, we have focused our funding strategy on workforce empowerment—those support services that underpin an individual or family’s ability to successfully seek and retain employment.

Funding Priorities:

- Financially-attainable housing options;
- Household financial stability;
- Transportation options and alternatives;
- Childcare and Early Childhood enterprises and facilities; and
- Supplemental income enterprises (i.e. food production)

COMMUNITY CONTROLLED INVESTMENT

We believe that communities know best when it comes to identifying their challenges, needs and creating creative strategies and plans to solve for their issues. We also believe that community controlled and directed philanthropy is one of the building blocks for creating healthy, vibrant and sustaining local communities in rural places.

Funding Priorities:

- Support of the Foundation for Appalachian Kentucky and the geographic component funds of the Foundation.

- Civic capacity and good government

How We Serve

AIF's commitment to wrap-around support is rooted in an analysis that injections of capital into the region—be they philanthropic, public, or venture—have been uneven and often linked to a specific funding interest. While well-meaning, too many times infrastructure or investment remains isolated or unsupported.

FINANCIAL PRODUCTS

AIF starts from the presumption that capital is best deployed when it builds upon the core competencies of the people who are using it. Therefore, we can provide financial products that are nimble and more likely to unlock other sources of capital.

- Short-term bridge loans
- Capitalized reserves or deposits
- Deferred or forgivable debt
(Subsidy)
- Equity ownership

TECHNICAL ASSISTANCE

AIF is committed to resourcing our partners with the appropriate know-how for their undertakings, either through direct technical assistance, professional service referrals, or pre-development grants and loans.

NETWORK DEVELOPMENT

AIF is also committed to bridging community in the region through deliberate networking between partners and with outside resources. Innovation happens when people bump into one another and build trust and common interests.

Criteria for Partnership

Given limited resources and AIF's mission-oriented funding strategy, AIF has developed the following first-order criteria based on the Investment Principles to initially determine whether to pursue additional technical assistance and due diligence.

FIT AND OUTCOMES

- Does the venture address AIF's articulated program areas?
- Does it generate financial or built capital that remains in the region?
- Does it transfer know-how to the community?
- Does it contribute to creating adjacent opportunities for other ventures or investments?
- Would AIF's participation duplicate or displace other resources that could be brought to bear?

FEASIBILITY AND SUSTAINABILITY

- Is leadership and clear vision in place?
- Is there a person or entity willing to accept the risk of ownership and to operate the venture upon completion?
- Does the operational model require on-going subsidy?
- Does the venture align with core competencies of the team? And the community?

- Is there a financially sustainable development and operating plan?

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