

# HEALTHY INVESTMENTS SPOTLIGHT



---

## California Organized Investment Network (COIN)

---

*health care investments in housing and community development*



---

*The Spotlight series is a publication of the Social Investment Initiative, which promotes health plan investments in the creation of affordable housing and community development projects that will have a positive social and financial return. The Social Investment Initiative is a partnership among Community Catalyst with expert support from Boston Medical Center, the Conservation Law Foundation and Nancy Turnbull, Senior Lecturer, Health Policy, Harvard T.H. Chan School of Public Health.*

*This publication is made possible with support from The Kresge Foundation. The Kresge Foundation was founded in 1924 to promote human progress. Today, Kresge fulfills that mission by building and strengthening pathways to opportunity for low-income people in America's cities, seeking to dismantle structural and systemic barriers to equality and justice. Using a full array of grant, loan, and other investment tools, Kresge invests more than \$160 million annually to foster economic and social change. For more information visit [kresge.org](http://kresge.org).*



# California Organized Investment Network (COIN)

---

## BACKGROUND

[The California Organized Investment Network \(COIN\)](#) is a collaborative, public-private partnership effort between the California Department of Insurance, the insurance industry, community development organizations, and community advocates. This voluntary program facilitates insurance industry investments that benefit California's environment and its low-to-moderate (LMI) income and rural communities.

[COIN](#) was established in 1996 at the request of the insurance industry in California as an alternative to state legislation that would have required insurance companies to invest in underserved communities, similar to the federal Community Reinvestment Act (CRA) that applies to the banking industry.

As a public-private partnership, COIN facilitates insurance industry investments that benefit California's environment and its low-to-moderate income and rural communities.

In September 2014, reform legislation was signed to improve the COIN Program. The bill was sponsored by the California Insurance Commissioner at the time, Dave Jones, and reformed the COIN program to better focus on finding and facilitating the most appropriate insurance industry investments to provide economic and social benefits to California's underserved communities.

The 2014 law created important checks and balances related to reviewing and validating investments from the largest 200-plus insurers, while increasing COIN's ability to market high-impact investments. The new law required insurers who write \$100 million or more in California premiums to provide information to the commissioner on all community development investments, including infrastructure and green investments made from 2013 through 2015. The law also required COIN to report on its website the insurer data collected and its outreach efforts related to marketing high-impact investment opportunities to the insurance industry and advising insurers on investments benefitting California's underserved communities. The law also streamlined reporting requirements.

COIN's vision is to serve as a national model to provide leadership in increasing insurance industry investment in underserved and rural communities. By placing easily accessible information about its program online, it provides a high degree of transparency as well as educational information for other states interested in replicating the model.

## INVESTMENT STRATEGY

COIN guides insurer capital into what the network feels is socially responsible, environmentally sustainable and impactful community financial investments.



COIN's investment officers lead two funds: the Qualified Investment Program and the CDFI Tax Credit Program. The Qualified Investment Program screens investment deals across diverse asset classes for risk, rates of return and provision of tangible benefits to California's undercapitalized communities and environment. The CDFI Tax Credit Program provides a 20 percent state tax credit on a \$50,000 minimum investment, loan or deposit into a COIN-certified CDFI for 60 months.

In 2018, to improve its Investment Program, COIN launched the Impact Investment Marketplace, a digitized platform which lists pre-screened, qualifying investments across multiple asset classes (see Appendix for detailed list). The COIN investment officers screen all opportunities. All proposed investments must provide social and/or environmental impact in California, with competitive financial returns for insurance company investors. The marketplace links those seeking capital for community development investments with insurers looking to make COIN-qualified investments with competitive financial returns in numerous ways.

By providing a digital platform that lists pre-screened, qualifying investments, COIN links those seeking capital for community development investments with insurers looking to make investments with competitive financial returns.

COIN provides the following services within its Investment Program:

- Expertise - Finding California-focused investment opportunities for insurers
- Due Diligence - Evaluating and verifying management, risks, benefits and potential returns of investments
- Performance - Seeking consistent, competitive financial returns with a social/environmental benefit
- Unlocking Capital - Finding insurers to fund social/environmental impact investments

The innovative Impact Investment Marketplace portal manages the process of establishing connections with community developers, submitting and reviewing applications and due diligence materials, documentation requests, impact measurement and management, final approval or denial, and dissemination of investment opportunities to insurers. The digitization of investment opportunities provides a more efficient process and a greater number of pre-screened high-impact investment opportunities. While data is not yet published, the digital portal is expected to help produce higher levels of COIN participation among both community developers and insurer investors.

COIN encourages proposers throughout California applying to get their investment opportunities approved by COIN to be bold, ambitious and innovative in developing proposals for insurance industry funding, while complying with COIN's investment parameters (see Investment Highlights below for more detail). COIN's investment policy does not envision a limit on the dollar amount of COIN investment proposals and commitments.

COIN has a four-person investment team which manages COIN under the supervision of the Insurance Commissioner and an Advisory Board. The COIN Advisory Board members include the Insurance Commissioner, and several leaders in the insurance industry and economic development sector. The



Board provides focus and guidance to COIN, ensuring that its policies and procedures are in keeping with its mission statement. The Board also advises COIN on the best methods for increasing insurance investments while providing fair returns to investors and social benefits to communities.

## BENEFITS TO INVESTORS

Insurers participate on a voluntary basis. The program allows each insurer to determine its own asset allocation and choose each of the underlying asset managers and products in which it invests. Returns across all asset classes are competitive, and all investments have some social, environmental or economic benefit for the greater community, especially lower- and middle-income populations. Having COIN-approved investments and a digital platform reduces transaction costs.

## INVESTMENT HIGHLIGHTS

### *COIN Impact Investment Program*

COIN qualified impact investments span a wide range of asset classes managed by a diverse group of asset managers including:

- Fixed Income
- Private Debt
- Private Equity
- Real Assets

See the Appendix for detailed descriptions of qualified investments.

Asset managers applying for COIN approval of their investment product and placement on the digitized marketplace must meet the following three conditions:

1. Impact Investments must have some percentage of its total capital focused in COIN-qualified investment criteria. High-Impact investments have 50 percent or more exposure in California.
2. Provide either proven social impact to low-to-moderate income people or communities and/or environmental benefit in California.
3. Provide safe, sound, and solvent investments offering an acceptable risk adjusted financial return for that asset class.

All insurance companies operating in California with over \$100 million of direct premiums written held almost \$22 billion of COIN-qualified investments at year-end 2015, which reflects the success of this voluntary program in unlocking private sector capital for beneficial community and environmental impacts.



### ***Community Development Financial Institutions (CDFI) Tax Credit Program***

Each year, the Department of Insurance may award up to \$10 million in tax credits to leverage up to \$50 million in community development investments. Under this program, investors receive a tax credit worth up to 20 percent of their investment in one of the COIN-Certified CDFIs and can apply the credit to the state personal income tax, corporation tax or insurer premium tax. Investors can contribute a minimum of \$50,000 in zero-interest loans with a Community Development Financial Institution for five years, and in exchange earn a 20 percent state tax credit, averaging a 4.75 percent annual return.

CDFIs make notable investments across the state, through projects such as water hook-ups in small rural communities, loans for community facilities like childcare centers serving low-income children, micro-loans to self-employed business owners, and affordable housing investments.



## APPENDIX: COIN-QUALIFIED INVESTMENTS

(as of 7/15/2020)

### *Fixed Income*

- **Artesian High Impact Green Bond Fund** – The Artesian High Impact Green Bond Fund’s mission is to displace the maximum amount of greenhouse gas emissions (current and future). While delivering a superior risk-adjusted rate of return. The Fund melds the characteristics of “dark” green bonds (with its large scale, lower but immediate environmental impact) and clean energy venture debt (with its smaller scale but innovative and high potential future impact). This will deliver a risk, return, and impact profile that is difficult to achieve through conventional, single asset class solutions in a highly liquid format. The Fund is designed to utilize the Manager’s strengths in both fixed income and venture capital in order to narrow the large clean-energy infrastructure spending gap the world faces. The Fund may also invest in other green fixed-income securities such as asset-backed securities related to clean energy infrastructure projects. Finally, the Fund is consistent with the California Department of Insurance Climate Risk Carbon Initiative, which believes that, due to climate change, the world is shifting toward the use of renewable energy and away from fossil fuels.
- **Blue Forest Conservation Forest Resilience Bond** – The Forest Resilience Bond (FRB) is an investment vehicle designed to finance forest restoration projects across the western United States to decrease the risk of severe wildfire and protect water resources. The FRB pilot project launched in November 2018 in the Yuba Watershed of Tahoe National Forest. Blue Forest believes that their projects will deliver measurable results to public and private beneficiaries, certain of which will agree to make contracted payments based on completed restoration activities and agreed to performance thresholds. The contracted payments are made to the FRB, which then passes through payments to the lenders.
- **California Housing & Affordable Mortgage Program (CHAMP)** – BMO Capital Markets facilitates COIN-eligible investments in Collateralized Mortgage Obligations (CMOs), pass through of Agency eligible residential mortgages, and multifamily affordable housing bonds. The full and timely payment of principal and interest are guaranteed by the full faith and credit of the U.S. government, Fannie Mae and Freddie Mac. The investments exclusively support affordable housing financing in California.
- **California Housing Finance Agency’s first-time homebuyer mortgage backed securities** – California Housing Finance Agency (CalHFA) is a California state agency and has been supporting the financing needs of first time homebuyers since 1975. Investment opportunities from CalHFA’s ongoing loan production includes Ginnie Mae or Fannie Mae securities backed by loans made to first time homebuyers with certain social impact characteristics such as low- to moderate-income defined census tract areas and ethnic diversity.



- **College Access Tax Credit Fund (CATCF)** – The CATCF allows individual taxpayers, businesses and insurance companies to claim a tax credit equal to 50% of their cash contribution to the CATCF. These contributions bolster financial aid for California’s low-income college students. This \$500 million dollar aggregate tax credit is only available through taxable year 2022. The Fund is designed to support the Cal Grant Program, which is the State of California’s largest source of educational financial aid. Cal Grants are for students pursuing an undergraduate degree or vocational or career training at a qualifying California college. Awards are made to students with a financial need to attend the college of their choice who have family income and assets below set minimum levels.
- **Community Capital Management Economic Development Fund** – Invests in high-credit quality fixed-income securities whose proceeds support community, economic, development and environmental activities.
- **Enhanced Capital Solar Tax Credit Investments** – Enhanced Capital works with insurance companies to repurpose their state and federal income tax liabilities into income yielding assets through customized tax credit investment opportunities in qualifying solar energy projects. Enhanced Capital acts on behalf of the investor to source solar projects, conduct due diligence and manage the investment from negotiating terms, deal closing, deal management and reporting through investor exit. Enhanced works with corporate clients to customize portfolios of federal tax credits with a focus on Solar Investment Tax Credits (ITCs). Solar ITCs provide an attractive return profile in addition to fulfilling ESG and sustainability goals. The targeted net return is comprised of the tax credit, depreciation benefits, project cash returns and an exit payment over a five-year period.
- **Fannie Mae MBS Program** – Fannie Mae mortgage pools for COIN-targeted mortgage-backed securities (“MBS”). Fannie Mae supports the liquidity and stability of the U.S. mortgage market primarily through purchasing and securitizing mortgage loans originated by lenders into MBS, which they then guarantee. The MBS will be backed by mortgage loans to low- and moderate-income borrowers for properties located within the United States, with a geographic concentration of properties in California.
- **Hanover Securities/Banes Capital Socially Responsible Investment (SRI) Program** – With an investment team that averages over 30 years of investment experience, Hanover Securities is one of only thirteen SBA-approved pool assemblers in the United States. Hanover provides financial institutions with an experienced and cost-effective resource for building diversified Socially Responsible Investment (SRI) portfolios utilizing a range of products. Using Government Guaranteed, floating-rate SBA 7(a) pools as the core asset, Hanover Securities SRI portfolio program offers investors the ability to direct their resources to a diversified portfolio of investments that benefit small businesses, home ownership, renewable energy, as well as low- and moderate-income geographies and populations.





- **Multi-Bank Securities, Inc. (MBS) Community Impact Mortgage-Backed Securities Programs** – MBS sources, structures and offers investor directed investments via Ginnie Mae, Fannie Mae and Freddie Mac mortgage-backed securities. Social mandates and Community Reinvestment Act requirements accepted. MBS is a certified Veteran Owned Business Enterprise (VBE) and a member of the National Veteran Owned Business Association (NaVOBA). MBS is one of a select group of broker dealers approved to work directly with the U.S. agencies to underwrite and distribute their debt. The Firm is a member of Fannie Mae’s ACCESS Diversity Program, Freddie Mac’s Supplier Diversity Program and the Federal Home Loan Banks’ Diversity and Inclusion program.
- **RBC Global Asset Management Access Capital Community Investment Strategy** – Invests primarily in high-quality debt securities and other debt instruments supporting the community development industry in areas of the United States designated by strategy shareholders. The strategy can be invested in through mutual fund I shares (ACCSX), separately managed account, or other customized vehicle (California 3c7 fund). The affordable housing related investments are made through securities issued by Ginnie Mae and government sponsored enterprises, such as Fannie Mae and Freddie Mac. The investment is especially well structured for investors seeking highly rated, highly liquid asset liability matching, such as property and health insurers.
- **SDS Supportive Housing Fund, LP** – Finances the development of cost effective, high-quality permanent supportive housing (“PSH”) to help alleviate homelessness in California while seeking a targeted risk-adjusted market rate-of-return. 100% of the units in these neighborhood-scaled apartment communities will be made available for people suffering from homelessness, with the rent payments coming from Section 8 tenant vouchers. The Fund will invest its capital in the ground-up development of an estimated 20 apartment communities, where tenants will receive intensive case management and a safe home. Additional impacts include: redeveloping blighted sites with properties that are expected to become catalysts in revitalizing their low/moderate-income communities; providing entrepreneurial retail space to local businesses on the ground floor; creating potential revenue streams for local African-American churches (seven of the initial projects have African-American churches as the land partners, ground leasing their land for development), as well as a range of environmentally sustainable features at each development, such as solar panels, aeroponic rooftop farming, and sustainable construction practices that are expected to be included in the developments.
- **Solomon Hess SBA Loan Fund** – Short duration bond fund investing in SBA 7(a) loans to promote job creation, retention, and improvement for LMI persons employed by small businesses.



- **Stifel, Nicolaus & Company California Municipal Bonds** – Stifel acts as a broker dealer for new issues of California municipal bonds. Stifel is consistently the #1 or #2 underwriter of California municipal bonds ranked by a number of issuers, and is the #1 underwriter of National K-12 and Economic Development negotiated municipal transactions. Stifel is a top-five underwriter of Negotiated Single Family and Multifamily Housing transactions including projects involved in providing low- to moderate-income, senior and supportive housing. Stifel regularly offers federally taxable and tax-exempt fixed income securities (bonds) sold by issuers engaged in affordable housing, low-income student education, PACE financings, mass transit, renewable energy and water conservation.
- **Wells Fargo Government Guaranteed Mortgage Program** – WFGGMP assembles custom pools of LMI mortgages from Agency MBS sourced from top the ten U.S. lenders.

### *Private Debt*

- **Align Affordable Housing Bond Fund, L.P.** – Invest in tax-exempt subordinate bonds secured by affordable housing properties. The bonds will be issued by state or local governmental entities. To finance the purchase and renovation or construction of affordable housing properties. The Fund will promote the development of new affordable housing properties by providing innovative financing to developers at an interest rate that is less expensive than equity. As a result, developers will be able to build more affordable housing and provide low-income residents with a clean, safe and affordable place to live.
- **Small Business Community Capital II, LP** – Invests in senior secured debt, subordinated debt and equity in small- to mid-sized companies that face a lack of capital availability. The industry focus is business services, consumer products, food & beverage, healthcare, manufacturing and telecommunication.

### *Private Equity*

- **DCA Capital Partners II, LP** – Takes preferred stock and subordinated debt positions in growth-oriented companies primarily located within the Central Valley of California.
- **Diverse Communities Impact Fund I, LP** – Invests in platforms that improve quality of life by increasing access to better education, health care, banking, financial services and credit, and improved environmental conditions. The Fund's industry targets are technology, health care, education, food, the green economy and innovative engineering solutions, including investments in an electric vehicle (EV) infrastructure platform for low income diverse communities, an electric airplane manufacturer, and a water leakage detection technology for large water utilities. These examples underscore the value of keeping capital in the communities they serve, thus allowing for additional job creation and expanded economic mobility, all while generating above average risk adjusted rates of return.



- **KickFlip BioVentures Fund I LP** – Therapeutic life sciences and health tech focused venture fund, targeting a \$150 million raise focused on early venture. KickFlip BioVentures is differentiated by the following: 1) Geographic focus only on Southern California innovation; 2) Biotech, life science therapeutics (80%) and digital health tech (20%) investments; 3) Special strategic partnerships with the best universities and hospitals (curated deal flow and ecosystem synergies) developed through unparalleled network of relationships; 4) General Partner will donate up to 10% of its profits back to the foundations / endowments of schools / health institutes that are material LPs in the Fund; 5) Investment focus is early venture, to take advantage of capital scarcity and funding gap between late seed and early venture.

### *Real Assets*

- **ACM Fund II, LLC** – The mission at Agriculture Capital is to develop a regenerative food and agriculture system that produces better food at scale and delivers market asset competitive returns to investors while making a difference in local communities. They envision a world where more people have access to food that is better and healthier for their families, while improving the land and the communities in which they operate.
- **Equilibrium Capital** – Sustainable institutional investor strategies include three real asset sectors: Agriculture & Food, Renewable Resources (which include Energy and Water), and Real Estate. Common to all is the aim to generate current returns, long-term resilient sustainability rooted financial values, and scale. Equilibrium has developed its Controlled Environment Production Agriculture<sup>1</sup> strategy backing, at scale, land, water and transportation efficient controlled environment production systems for delivering high-quality produce to mass markets. The firm also has strategies in water and waste management, advanced green real estate, and sustainably grown and managed permanent crops.
- **The Healthy Food Financing Initiative** – Promotes access to healthy foods in the state of California by financing the distribution and retail of fresh food in communities that have been defined as food deserts or as Food Opportunity Areas.
- **Oak Street California Added Alpha Fund II, LP** – Invests in best-in-class emerging private real estate funds with an emphasis on California-based investments. These investments target retail in underserved neighborhoods, commercial properties, medical real estate opportunities, workforce and underserved housing, energy efficient assets, brownfield remediation and other strategies with rigorous Environmental, Social or Corporate Governance (“ESG”) initiatives. CAAF II will target “added alpha” for investors through helping smaller, newer entities raise an initial institutional fund, including investing with early stage women and minority owned firms.



- **Prospect Opportunity Zone Fund, L.P.** – The Fund will make tax-advantaged equity investments in real estate development and redevelopment projects located in Opportunity Zones, with a primary focus on multifamily real estate. Opportunity Zones are economically developing communities that have been designated by each U.S. state. Qualifying investments in Opportunity Zones are eligible for preferential tax treatment. To date, Prospect Capital has invested in over \$3B of real estate, with a focus on multifamily properties. Of note, 49% of Prospect’s multifamily properties have been located in census tracts eligible for Opportunity Zone designation.

### *Closed Investments*

- **Avanath Affordable Housing III, LLC** – Acquires value-oriented apartment properties that were originally developed under the Low-Income Housing Tax Credit (“LIHTC”) program or other similar structures. The goal is to enhance the physical assets and maintain long-term affordability. Avanath’s target affordable market comprises 7.5 million apartment units and represents about 25% of the apartment inventory in the United States. Avanath is pursuing a national consolidation strategy in this sector, creating long-term value with the implementation of higher-level property and asset management, strategic property investments and enhancements, and creating greater operating efficiencies.
- **Central Valley Fund III (SBIC), LP** – Makes mezzanine investments through both subordinated notes and preferred stock investments in small- to medium-sized private Hispanic-owned businesses. These businesses are in the California Central Valley and other Western United States regions. Businesses across diversified industries, including but not limited to, business services, manufacturing, distribution and logistics, healthcare, and telecom. CVF III will pursue investment opportunities in a variety of LMI areas, and promote responsible ESG policies in an effort to create sustainable jobs and further develop regional economies.
- **Clearinghouse CDFI Opportunity Fund I, LLC** – Opportunity Zone Fund to acquire, develop, construct and hold a 31-unit apartment building in the Koreatown neighborhood of Los Angeles. The investment strategy takes advantage of the Opportunity Zone (OZ) Program by investing equity into a qualified OZ project in a very-low-income census tract. Investors receive a deferral and reduction of Federal taxes on Capital Gains by investing long-term equity in the project. The Fund will hold its investment for a period of 10 years, which will result in further benefits as investors will not be subject to any Federal taxes on gains earned by the Fund.
- **GCM Grosvenor California Impact Fund, LP** – Invests in California based lower middle market companies that provide positive social, environmental and/or economic impact, allocated to various industries such as IT, healthcare, education, clean energy, business services, and manufacturing.
- **HCAP Fund IV, LP** – Invests primarily in mezzanine debt and preferred equity in underserved lower middle market companies in manufacturing services, software, IT, consumer products and health care. HCAP provides capital to “underserved” businesses that (i) tend to employ low to moderate income and ethnic minority employees (ii) are located in LMI zones and/or (iii) owned and operated by ethnic minorities.



- 
- **Inter Atlantic Stonybrook Insurtech Ventures, LP** – IA Capital has an 18-year track record of making venture capital investments in insurtech and fintech companies. Targeted segments of insurtech for the Fund will include technology-enabled companies in: property and casualty insurance, life and health insurance, data management and analytics, employee benefits, distribution, underwriting, claims, and administration, among others. The Fund may invest in fintech segments related to insurance including payments, customer acquisition and blockchain. The Inter Atlantic Funds will continue to invest in companies that utilize technology to democratize financial services and promote financial inclusion.
  - **Topaz Solar Farms, LLC** – Topaz is a 550 megawatt photovoltaic power station located in San Luis Obispo, California. Construction began in November 2011 and ended in November 2014. Topaz is considered to be one of the world’s largest solar farms.