

CASE STUDY

Rush University System for Health Impact Investing Fund

Chicago, Illinois

Key Strategies Employed

- Designate a portion of operating reserves for community investments
- Allocate to financial intermediaries, including community development financial institutions (CDFIs), banks, and other investment managers offering place-based private debt strategies
- Support local communities through collaboration with other local anchor institutions
- Work with communities to determine which CDFIs to invest in

Overview & Background

Rush University System for Health is a Chicago-based academic medical center. Rush's Impact Investment Fund is a key component of their anchor mission strategy, which works to build sustained economic vitality and improve health in Chicago's West Side communities by leveraging Rush's mission and resources. Through a community-centric, collaborative approach, Rush makes impact investments in the Rush community that are consistent with the goals of the anchor mission strategy of increasing life expectancy, improving well-being, and reducing hardship. The investments also support Rush's overall mission "to improve the health of the individuals and diverse communities we serve through the integration of outstanding patient care, education, research and community partnerships."

The objective of the Impact Investing Fund is for the investments to offer a measurable social return that directly benefits the Rush community. The Rush community is specifically defined as ten neighborhoods in the West Side of Chicago: Austin, East Garfield Park, West Garfield Park, North Lawndale, South Lawndale, Lower West Side, West Town, Near West Side, Humboldt Park, and Belmont Cragin. One way that the program strives to meet this objective is by addressing the social determinants of health (SDOH), including affordable housing, transportation, and food access. The investments must also provide a return on capital. Shweta Ubhayakar, manager of anchor mission initiatives at Rush,

emphasized that impact investments are different from grants and traditional investments. “We are getting a return. It might be lower than a market rate value . . . Whatever we are losing, it’s [made] up through the social impact,” said Ubhayakar.

Rush is also a signatory of the Healthcare Anchor Network’s (HAN) Place-based Investment Commitment, through which they have committed to allocate 1%—or \$7.5 million—of their investment portfolio to place-based investments. As of 2021, they have deployed \$6 million for place-based investing. In this time, much of Rush’s impact investing work has been done in collaboration with other local anchor institutions through West Side United (WSU), which is a collaborative of hospitals, government entities, community residents, and other stakeholders working to improve economic vitality, health, and well-being in Chicago’s West Side (with a focus on the same ten neighborhoods targeted by Rush’s Impact Investing Fund). Since 2017, WSU has coordinated \$9.1 million for impact investing in the West Side.

Program Design

Rush’s Impact Investment Fund (“the Fund”) started in 2017. Through HAN, Rush connected with organizations doing place-based investing to learn best practices. Given their lack of expertise in making direct investments, they decided that their initial investments would be made through intermediaries, including but not limited to community development financial institutions (CDFIs), which could provide the necessary subject matter expertise to make the investments successful.

The Fund uses a set of investment criteria in order to reduce risk and ensure a return on capital. Projects must have a reasonable likelihood of returning invested capital plus a rate of return between 1% and 3% over comparable maturity US Treasury rates. Moreover, investments must have clear sources of repayment, including but not limited to rental income, income from business activities, repayments from loans or equity investments made by the investee (e.g., CDFIs), and other revenue streams. Finally, for indirect investments made through financial intermediaries, the intermediaries should be rated by Aeris, or a comparable third-party rating agency that tracks financial strength and performance of CDFIs and impact investment funds or entities. Preference is given to intermediaries with AAA financial ratings on the Aeris financial strength scale and four star ratings on the Aeris social impact scale.¹ Intermediaries should have a minimum rating of AA on the Aeris financial strength scale and three stars on Aeris social impact scale to be considered.

In the early stages of the program, the Fund partnered with two CDFIs: IFF and the Chicago Community Loan Fund (CCLF). An internal workgroup—made up of representatives from the Treasury Department, Office of Community Health Equity & Engagement, medical students, and employees who live in Chicago’s West Side—was responsible for deciding on which projects would be invested in. With their first investments, IFF and CCLF presented on potential projects, and the workgroup voted on projects from each to receive funding. Later, two additional CDFIs became involved in Rush’s impact investing work through WSU: Local Initiatives Support Corporation (LISC) and Allies for Community Business (A4CB). When Rush’s impact investing work shifted to occur through the multi-anchor collaborative, WSU, a new workgroup formed to make decisions about WSU’s impact investment projects, with representatives from hospitals and community partners. In addition, Rush ceased selecting specific projects to set aside funding for, instead giving CDFIs full discretion on choosing which projects on Chicago’s West Side to support through the Fund.

Community engagement has been a core component of the work of the Fund and WSU, and community representatives with play a large role in the decisions about which CDFIs to invest in. Three community representatives from target West Side communities serve on the WSU investment workgroup responsible for decision-making relating to impact investing. These representatives help make decisions around which CDFIs are most beneficial for the communities. In deciding on which of the CDFIs to pursue, hospital partners defer to the opinions of the community partners. The workgroup also prioritizes CDFIs that invest in projects that address community needs identified in the Community Health Needs Assessment (CHNA), which is conducted every three years. To date, the majority of the selected CDFIs' projects have focused on affordable housing and workforce development.

Program Impact

To track the social impact of investments, the Investment Committee at Rush reviews impact investments annually, while Rush's Investment Office establishes monitoring and reporting criteria to review investments using both financial and social metrics. The program takes a holistic approach in assessing program impact. Ubhayakar stated that early in the program, "A decision was made that we wouldn't [track social impact] on a project-level basis, but more as an overall investment and [track by the] impact on the community."

Similar to Rush's Investment Committee, WSU also uses a holistic approach to assess impact. WSU's four focus areas for social impact are economic vitality, health and healthcare, education, and neighborhood and physical environment. To assess the overall impact of investments on the community, WSU has created a comprehensive framework with 48 different community-level metrics that links WSU's individual initiatives with overarching goals. In collaboration with Boston Consulting Group's Center for Illinois' Future, WSU also developed a dynamic dashboard with 14 metrics from the framework to highlight key drivers of life expectancy across their four impact areas.

A central challenge to measuring social impact is getting detailed reporting on social impact from CDFIs. Three of the four CDFIs that work with WSU track some impact metrics. Though obtaining consistent social impact metrics is challenging, WSU estimates its member loans have helped facilitate 296 loans, create 366 construction jobs, created 45 other jobs, preserve 117 jobs, and develop 690 housing units in the West Side in 2020.



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*— Shweta Ubhayakar,
manager of anchor
mission initiatives
at Rush*



Jose Gutierrez, founder and owner of La Orquidea, a flower shop and event planning business based in South Lawndale, Chicago

Through WSU, Rush's Impact Investing Fund has supported business owners of color. One example is the Corner Store Deli, which provides grocery staples and healthy food options to the Austin community in Chicago's West Side. In addition to offering healthy food options, store owners Derrick and Kevin Hayes envision the store as serving as a safe haven for the community. A loan from WSU through A4CB helped the business with store renovation costs. "I can't say how invaluable Allies for Community Business has been to us," emphasized owner Kevin Hayes.

The fund also supported La Orquidea, a flower shop and event planning business owned by florist, event planner, and decor strategist Jose Gutierrez.² Gutierrez came to the United States in 2000 from Mexico with limited English proficiency but years of experience in floristry, and started La Orquidea in the South Lawndale neighborhood in Chicago's West Side. Though the COVID-19 has brought challenges for the business, a loan from WSU through LISC will help Gutierrez expand the business by relocating it to a new and improved location.

In addition to supporting small businesses, the fund has also supported community development projects. For example, the fund supported Foundation for Homan Square, a community development effort founded in 1995 that works to redevelop and re-purpose sites in the North Lawndale neighborhood of Chicago's West Side as community assets including community centers, office space for small businesses and nonprofits, affordable housing, and schools.³ A loan from WSU through IFF helped the foundation create Nichols Tower, the restoration of the original "Sears Tower," a 14-story building

that was vacant for many years. Now, Nichols Tower is a hub for nonprofit arts, multimedia education, youth leadership development, job training, and more. Tenants at Nichols Tower include Free Spirit Media, Lunch Box Cafe, Lawndale Business Renaissance Association, Neighborhood Housing Services of Chicago, North Lawndale Employment Network, Options for Youth, School of the Art Institute of Chicago, and Turning the Page.

Funding provided to the Foundation for Homan Square also aided the conversion of a 1905 coal-fired power plant into a public charter high school called Power House High School. A loan from WSU through IFF supported the \$40 million restoration and historic preservation project. The building is LEED Platinum-certified (a green building certification used worldwide) and opened for students in the fall of 2009. According to the foundation's website, "historic preservation features include a restored chimney, restored windows and doors, and the retention of original power generating machinery. Green features include a geothermal heating and cooling system, an overall water conservation and management system, as well as lighting controls and energy-efficient sky-lights."

Budgeting & Staffing

In the early stages of the program, a number of Rush employees were involved in decision-making around the Impact Investing Fund, including Ubhayakar, Alex Wiggins (chief investment officer), Patricia O'Neil (CFO), and Dr. David Ansell (senior vice president for community health equity at Rush University System for Health and associate provost for community affairs at Rush University). While Ubhayakar, Wiggins, and O'Neil's job descriptions include anchor mission strategies, no full-time employees have been hired to oversee the Fund.

Northern Trust, a Chicago-based financial services company with decades of experience in community development and capital deployment, serves as Rush's social impact advisor and also supports the work of WSU. Dr. Ansell and Darlene Oliver Hightower, who is vice president for community health equity at Rush University System for Health, also represent Rush on WSU's 16-member Executive Leadership Council.

PROGRAM IMPACT QUICK NUMBERS

As of 2021

- Commitment to deploy 1%, or \$7.5 million, of their investment portfolio to place-based investments
- \$6 million deployed by Rush, \$2 million of which will be reinvested in 2021 and 2022
- \$9.1 million coordinated by West Side United (WSU) for impact investing since 2017
- 296 loans distributed, 366 construction jobs created, 45 other jobs created, 117 jobs preserved, and 690 housing units created in the West Side as a result of an investment pool that WSU contributed to (of which their funding constituted 31%)

Partners

Partnerships have been central to the work of the Fund. Through WSU, Rush has a variety of diverse partners, including other local hospitals, government entities, neighborhood partners, faith-based institutions, nonprofits, businesses, residents, and others. These partners provide funding, technical assistance, and support with each of WSU's four focus areas. The hospital partners of WSU drive the collaborative's activities, and in addition to Rush include Ann & Robert H. Lurie Children's Hospital of Chicago, AMITA Health, Cook County Health, Sinai Health System, and the University of Illinois Hospital & Health Sciences System.

Community partners are also critical to the WSU governance structure. Community engagement is embedded in WSU through the Community Advisory Council (CAC), an 18-member committee that "functions as a major channel for the community's input and works closely with the Backbone Structure of WSU to integrate community feedback into planned or proposed initiatives."⁴ Members of the CAC must live or work in one of the ten targeted West Side neighborhoods.

Lessons Learned & Takeaways

Work to develop champions within senior leadership. Momentum created by senior leaders enabled the program's success and brought other local anchors to the table.

One factor that has enabled the program's success is the support from senior leadership. In particular, at the start of the program in 2017, the championship of Patricia O'Neil—then-treasurer and current interim CFO—was critical to securing the initial \$6 million in funding for the first three years of the program by making a business case for the program. In reference to the early deployment of the initial \$6 million in funding, Ubhayakar stated, "We had some quick wins with those investments. That helped create momentum, and brought other hospitals to the table with West Side United." Dr. David Ansell has also been instrumental in highlighting the social impact of the investments, which has helped attract more partners.

Establish partnerships to magnify social impact. Rush has partnered with other local anchor institutions through the West Side United (WSU) collaborative.

Rush's many partners have also enabled the program's success. The interest of other hospitals and stakeholders in Rush's early impact investing work precipitated the formation of WSU and its impact investing program. Through WSU, Rush collaborates with other local hospitals, government entities, community residents, and other stakeholders on impact investing projects. "It was a good decision to not just have Rush invest, but to bring a bigger pool [of partners together] to create a bigger impact. Having hospitals at the table, having [the American Medical Association] at the table . . . has really helped," emphasized Ubhayakar.

Work closely with communities to determine focus areas.

"Having community voices at the table is really critical in any of the initiatives that we do for the community," highlighted Ubhayakar. Community members are part of the WSU governance structure providing input and working with the WSU leadership team to incorporate community feedback. "Their role is to hold us accountable, to make sure the investments we're making make sense and that we're staying true from an impact investing standpoint," emphasized Hightower.

Measure social impact of investments through detailed reporting from CDFIs.

One challenge for the program has been measuring the social impact of the investments. Initially, the program focused on deploying the funds rapidly, but now the focus has shifted toward measuring the social impact of the investments. In general, it is challenging to attribute positive social developments in the community to specific investments. However, this social impact reporting is critical for Rush and all of the other hospital partners involved in WSU to be able to present to their senior leaders or board in order to receive more funds to deploy. “Social impact has been at the forefront of any more investments that Rush or any of the West Side partners would make,” highlighted Ubhayakar.

Sustain commitment to impact investing in the face of financial challenges.

Another challenge has been the financial strain posed by the COVID-19 pandemic, which has made it difficult for Rush and other partners to make additional financial commitments to impact investing. In conversations with senior leaders about this challenge, Ubhayakar emphasized their standing commitment to impact investing and the importance of continuing their impact investing work given the immense community need during the pandemic. As a result of these conversations, Rush has committed to reinvest \$2 million of the initial \$6 million already invested, which will be deployed in 2021 and 2022.

Sources

Darlene Oliver Hightower, Nathalie Rosado Ortiz, and Sruthi Parekh, interview by Claire Brawdy and Sophie Hearn, May 3, 2021.

Rush University System for Health. *Impact Investment Fund*.

Shweta Ubhayakar, interview by Claire Brawdy, Ed Gerardo, and Sophie Hearn, February 18, 2021.

West Side United. “About us.” <https://westsideunited.org/about-us/>

West Side United. *CDFI Impact Report*.

ENDNOTES

- 1 More information on Aeris’ financial and social impact ratings for CDFIs and Loan Funds can be found here: <https://www.aerisinsight.com/wp-content/uploads/2018/10/Inside-Aeris-Ratings-2018.pdf>
- 2 For more information about La Orquidea, visit their website here: <http://www.laorquideachicago.com/eventplanning>
- 3 For more information about the Foundation for Homan Square, visit their website here: <https://www.homansquare.org/>
- 4 For more information about the Community Advisory Council, visit the West Side United website here: <https://westsideunited.org/about-us/community-advisory-council/>

