



Community Focus & Goals

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CASE STUDY

ProMedica's Place-based Investing Strategy

Headquartered in Toledo, Ohio, ProMedica serves communities across the country with both clinical and upstream care.

Overview

ProMedica is a nonprofit health and well-being organization headquartered in Toledo, Ohio that serves twenty-seven counties throughout northwest Ohio and southeast Michigan. In 2018 ProMedica acquired the formerly named HCR ManorCare skilled nursing facilities company, which expanded the health system across 28 states including a mix of urban and rural populations. With \$3.9 billion in total assets, the 15-hospital system has more than 48,000 employees, 480 facilities, and nearly 1000+ employed physicians and providers. Furthermore, ProMedica serves as an insurance provider to over 600,000 members across the country.

As an anchor institution, ProMedica is committed to focusing on upstream health needs and improving the economic prosperity of the communities it serves. ProMedica was a co-founding member of the Healthcare Anchor Network (HAN) in 2017. It signed HAN's Place-based Investment Commitment in 2019, in which signatories pledge to allocate at least 1% or \$50 million (whichever is less) of long-term reserves for impact investments that provide a modest financial return and high social impact in the low- and moderate-income communities they serve.



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**— Randy Oostra,
ProMedica's CEO**

ProMedica has become a national leader in addressing social determinants of health through a variety of strategies, including the innovative impact investments described in this case study. ProMedica's commitments span a range of focus areas and vehicles, and this open-minded approach, backed by a strong anchor mission mindset, has positioned ProMedica to meaningfully impact Toledo and the region's economic development and long-term community health outcomes.

Having strong support from leadership, starting with its CEO, has been key to the success of ProMedica's anchor mission approach, including their place-based investment strategy. CEO Randy Oostra has demonstrated a commitment to reimagining healthcare and community economic development by serving in several local and national organizations and boards including the Health Research and Educational Trust and The Root Cause Coalition, both of which are co-founded by ProMedica. "The modern healthcare system as we know it really began through the Hill Burton Act of 1946 designed to provide healthcare services to individuals, regardless of their ability to pay. The construction of hospitals then became a catalyst for business, economic development, and job creation in our nation's cities. Anchor Mission work is a recommitment of our industry's core role in improving the health of our communities," Oostra notes.

Background

Toledo is the fourth largest city in Ohio with a population size of over 267,000. Historically known as the glass-making capital of America, this community faced significant challenges that were further exacerbated by the 2008 economic crisis. Since 1970, Toledo experienced a declining population growth and consequently, as jobs moved out of this community, so did the prospects for economic growth, workforce, and community development.

When its community health need assessment process following the 2008 economic crisis revealed the prevalence of hunger in its community, ProMedica recognized that the health of residents was tied to the health of its business and investment in the broader community. Oostra noted, "We're headquartered here and are the largest employer in the area, [we are] not going to move, and as goes the health of our community, as goes our business. Relocating to downtown Toledo was good for both our immediate business, but also for the long-term success of the community we're anchored, driving economic development, cultivating arts and culture, [a] younger population, etc."



Glass City Metropark Phase one

ProMedica's anchor mission journey began with its focus on Toledo's "urban core" through a more explicit long-term commitment to downtown Toledo and surrounding neighborhoods. Unlike many larger economically vibrant markets, smaller markets like Toledo often have fewer investors and less capital flowing in, creating gaps that anchor institutions can fill. In addition to targeting investments that specifically benefit low- and moderate-income neighborhoods, ProMedica also employs a strategy aimed to improve the downtown core and strengthen the market. To do so, ProMedica has approached its work with an "all of the above" strategy, including innovative approaches to weave investments and grants to catalyze high-impact projects. Two major early projects—the relocation of ProMedica headquarters into downtown Toledo and the opening of the Market on the Green grocery store—illustrate the potential impact of ProMedica activating all its assets toward this ambitious goal.

ProMedica Headquarters

Between 2015 and 2017, through a \$100 million commitment that leveraged historic preservation tax incentives, ProMedica moved their headquarters and 1,500 employees into downtown Toledo to reinforce their goal of driving community economic development in the city. This project included the renovation of a steam plant built in the early twentieth century which sat unoccupied for 30 years. ProMedica also purchased the historic Toledo Edison building to create housing for ProMedica employees. As Oostra describes, "...the long-term vision [is] to create business efficiency, while simultaneously driving job creation, economic development, [and] strengthen our local market. . . ."



Market on the Green

Market on the Green

Also in 2015, ProMedica leveraged approximately \$3 million in philanthropic funding to build Market on the Green, a full-service grocery store owned by ProMedica in Toledo's UpTown neighborhood. The inception of this store stemmed from wanting to address high obesity rates that disproportionately impacted the lowest-income neighborhoods of Toledo. Community input helped ProMedica's team determine that a root cause of the high obesity rates was due to food insecurity—particularly a lack of access to affordable healthy foods. In addition to being a source of healthy food in the community, Market on the Green trains and employs residents. These employees have access to affordable housing, job training, and financial coaching programs. As of the end of 2021, Market on the Green has become self-sustaining, partially by leveraging ProMedica's supply chain purchasing power and prime distributor Sodexo. ProMedica has also assisted five other health systems and one municipality across the country to replicate this model.

“Program” Design and Implementation

For ProMedica, these two projects represented a breakthrough in the role their health system seeks to play as an anchor institution and the impact they desire to have on improving health outcomes in their community. In 2015, ProMedica expanded its toolbox of strategies to include impact investing in its communities. The organization took a hard look at the mission statement and strategic focus, broadening the company's focus to “improve your health and wellbeing.” With health largely driven by non-clinical factors, the shift in mission bolstered upstream and community investment.

These place-based investment projects involve significant cross-departmental collaboration. Each potential investment requires alignment from staff in the Real Estate and Community Health departments, and ultimately approval from the C-suite leadership team, CEO, and board to approve a project. This multi-perspective approach ensures each project allows for feedback from multiple stakeholders, along with a careful review process to assess both the financial and social implications of an investment. Members of the ProMedica executive team are engaged in leadership roles across various community organizations, which allows them to help identify potential projects. The health system can also demonstrate the potential and success behind leveraging dollars and their balance sheet to drive change in the community they serve, while considering returns on investments.

Furthermore, ProMedica established Key Performance Indicators (KPI) for their executive team to ensure accountability in their anchor mission approach. Community health indicators such as total number of jobs created, were included as performance metrics for members of the executive team.

When initially reviewing an investment proposal, Promedica considers a few major themes. First, does the investment promote ProMedica's mission of health and well-being and, second, will the investment support ProMedica's efforts to favorably impact the historically marginalized?

While many investment opportunities address the criteria, Promedica has three additional criteria by which projects are evaluated:

1. Is there a qualified developer that displays both financial capability and a shared desire to value positive community impact above profit?
2. Can the risk beyond the investment be minimized through ensuring limited or no guarantees that could lead to surprises on the back-end costs?
3. Will an adequate return on investment on the project be generated?

As of today, ProMedica has supported 23 projects with investments and loan support.



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Glass City Metropark Phase two

Metroparks Marina District Development

In 2016, ProMedica strategically purchased 70 acres of blighted land from an international developer along Toledo's riverfront. ProMedica then sold it at cost to the local Metroparks Toledo, a public park system established in 1928 to preserve natural parks within Toledo and surrounding areas, and other private developers that turned it into a community asset called Marina District. The blighted land was put to productive use as a public park, with a total project investment of \$18 million.

For the next part of the Marina District project, Metroparks Toledo developed Glass City Metropark, a 55 acre riverfront greenspace. To help the project, ProMedica was also able to secure an additional \$5.55 million in funding through public and private contributions, resulting in a total investment of \$18 million. This effort led Metroparks Toledo to create a broader Riverwalk project through a \$250 million total investment. Phase one of the development is complete and includes a pavilion, walking paths, sledding hill, and event area. Phase two is currently underway and will include an ice-skating ribbon, adventure play areas, and a campground.

As part of the Marina District, the Marina Lofts was also created after a developer bought a 15-acre property from Metroparks Toledo at market value. Marina Lofts was a \$36 million project that created 360 units of housing and a restaurant with a payroll of more than \$1 million annually.

The Metroparks Toledo project had additional benefits as well, allowing the ProMedica leadership to look further at social determinants of health by adding an Environmental, Social, and Governance (ESG) perspective they had not previously considered. Partnering with the parks helped create greenspaces and introduced her and ProMedica's leadership to terms such as "green equity," which refers to equitable neighborhood access to green spaces in urban areas and the direct impact on the health and wellbeing of residents. This has also helped Metroparks Toledo to meet their goal of putting a metro park

within a five-mile radius of Toledo residents on the east side of the city. Consequently, this meant more attention could be focused on various river water quality issues and neighborhood reinvestment in the city.

Bitwise Recruitment

Bitwise is a for-profit company that seeks to provide disadvantaged communities with access to opportunities and economic development within the tech industry through public-private partnerships. ProMedica helped recruit Bitwise to Toledo by purchasing and renovating the 106,000 square foot Jefferson Center, which had been abandoned for nearly two decades, and then leasing it to them. ProMedica invested \$1.5 million in the building and has leveraged more than \$36 million of additional dollars through state tax credits, new market tax credits as well as investment from eight lenders. Set to be completed in June 2023, this project combines impact investment, strategic grant making, and real estate development with a holistic approach to workforce development and job creation for low-income communities and communities of color in Toledo and the broader regional economy. ProMedica estimates that more than 300 new jobs will be created through this project. ProMedica hopes to exit the project through the sale of its investment to Bitwise after seven years.

ProMedica-LISC Health Impact Fund (HIF)

In June 2018, ProMedica partnered with Local Initiatives Support Corporation (LISC), a national Community Development Financial Institution (CDFI), to establish the ProMedica-LISC Health Impact Fund (HIF). HIF is a \$25 million investment and loan pool to support economic development in northwest Ohio and southwest Michigan through real estate and small business development projects. Fifteen million dollars of this fund is capital from LISC Toledo, while ProMedica invested \$10 million for 10 years at a 3% interest rate. As of December 2021, HIF has approved \$5.4 million in loans.

One of the primary benefits of this partnership and investment is that it has allowed ProMedica to identify and support projects in their community that would be too small for them to do due diligence on their own. For example, through this fund LISC Toledo was able to partner with ARK Development, a minority-owned business enterprise (MBE) certified developer, to redevelop the vacant historic Wonder Bread factory in Toledo into rental units and commercial



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Marriott Renaissance Hotel

As noted previously, ProMedica has approached investment with an “all the above” strategy aimed at putting vacant buildings and land back to productive use in the downtown core and surrounding neighborhoods of Toledo. One example of this is ProMedica’s efforts to bring a national hotel chain to downtown Toledo using a strategic investment and a significant amount of outreach. At the time, ProMedica had emerged as the lead sponsor of revitalizing the city’s convention center. However, there was not enough hotel capacity though several vacant hotels surrounded the area.

ProMedica first began this project a lot of people declined to develop the property due to the economic risks they perceived to be present within Toledo at that time. However, ProMedica finally recruited a major national hotel developer, Marriott Renaissance Hotel. In this project, ProMedica’s \$8.5 million loan leveraged more than \$35 million in other commitments. The hotel has created more than 125 jobs. With this financing, ProMedica will receive a percentage of the cash flow while their loan is outstanding which has two benefits: a vested interest in seeing the hotel become successful and if the revenue grows at a faster rate than anticipated, they will benefit substantially.



Lessons Learned & Takeaways

Place-based impact investment is a critical tool, but not sufficient on its own

ProMedica’s leadership has been willing to use all its assets, braiding and leveraging them in unique and creative ways to realize a healthier and more vibrant Toledo. Place-based investing has been a critical tool, necessary to help catalyze projects that would not happen otherwise, but it also would have been insufficient without other commitments of grants, in-kind support, and community leadership from ProMedica itself or leveraged from others.

The renovation of the sole existing domestic violence shelter in Toledo is an example of one way that ProMedica did not make a direct investment; instead, it leveraged its platform as a leading community steward to help this community asset fundraise and access long-term, low-cost financing

for a critical community project. ProMedica launched a \$12 million capital campaign on behalf of the local YMCA to help renovate its dilapidated shelter into one that was state-of-the-art.

In addition, ProMedica engaged the Toledo-Lucas County Port Authority, which has a history of innovative anchor strategy and place-based investing, to provide 30-year long-term, flexible capital through an innovative commercial bridge loan to the project. Gary Cates, chief philanthropy officer says, “Philanthropy is a key tool at the disposal of healthcare systems to drive anchor projects. Bringing together additional development resources and supportive donors to support catalytic community-based [projects] builds a broader support base and diversifies sources of revenue leading to longer-term stability.”

A second example is ProMedica’s strategy to leverage its cash on hand through intentional deposits in local community banks and credit unions. One of these is a \$100,000 annual deposit in Toledo Urban Credit Union, an important black-owned credit union serving low- and moderate-income neighborhoods within Toledo. These deposits allow local community banks and credit unions that traditionally provide better access to capital for low-income communities and communities of color to further expand their lending and can be an early way for organizations to think creatively about leveraging their balance sheet to support their communities. Adding cash flow and revenue to the local community financial institution will have a ripple effect on the beneficiaries of these financial institutions especially when it comes to lending and housing.

Resident engagement is essential for identifying relevant and impactful projects

ProMedica has prioritized resident community engagement in all of its community development ventures, working closely with resident coalitions, community leaders, nonprofits, and various local partners to gain community trust and ensure the needs of the community are being met. Engagement goes beyond asking residents what they need but instead actively involving community members from the early inception stages through project completion.

IMPACT QUICK NUMBERS

As of 2022:

- \$100 million commitment to relocate the ProMedica headquarters into downtown Toledo
- \$3 million in philanthropic funding to build Market on the Green, a full-service grocery store owned by ProMedica
- \$1.5 million investment in purchasing and renovating the 106,000 sq. ft. Jefferson Center and leveraging more than \$36 million of additional dollars through state tax credits, new market tax credits as well as investment from eight lenders, to help bring Bitwise to Toledo (set to be completed in June 2023)
- Invested \$10 million for 10 years at a 3% interest rate with Local Initiatives Support Corporation (LISC)

to establish the \$25 million Health Impact Fund (HIF), a loan pool to support economic development in northwest Ohio and southwest Michigan. HIF has approved \$5.4 million in loans to date.

- \$8.5 million loan leveraged more than \$35 million in other commitments to recruit Marriott Hotels to invest in and manage a vacant hotel in downtown Toledo
- \$12 million capital campaign on behalf of the local YWCA to help renovate a local shelter. In addition, ProMedica engaged the Toledo-Lucas County Port Authority to provide 30-year long-term, flexible capital through an innovative commercial bridge loan to the project.
- \$100,000 annual deposit in Toledo Urban Credit Union, a black-owned credit union serving low- and moderate-income neighborhoods within Toledo

In 2020, ProMedica launched its first resident-led RFP process to allocate community funding to local non-profits. A coalition of residents was convened and took the lead on crafting the request for proposals, defining judging criteria, and ultimately selecting and allocating funds to grantees. Engaging more than 20 organizations to help build the RFP for grant applicants, the process started with facilitating multiple community conversations. ProMedica also helped facilitate collaboration between partners to establish clear decision-making structures. ProMedica then reviewed community data to assess the need, combined with community voice and feedback. This helped clarify a common agenda.

Authentic and sustained community engagement helps prevent outsider good intentions from leading to unwanted projects for residents. Sommerfeld described an early example that has since informed their overall approach. When ProMedica first introduced the concept of investing in affordable housing units in the poorest areas of Toledo, they expected that community residents would welcome this proposition.

However, residents opposed this idea and instead expressed a desire for market rate housing options. The residents noted that creating mixed-income housing would disrupt the poverty concentration that often develops in low-income housing areas, which would otherwise be reinforced by only adding additional affordable units. Anchor institutions looking to catalyze development through investment and other means must consider the balance between supporting projects that maintain long-term affordability in a community versus the desire from community residents to see shorter-term individual wealth building through property value appreciation that many have been excluded from historically.

Working with CDFIs was a learning experience that helped identify new opportunities

ProMedica's place-based investing strategy includes both direct investments and indirect ones through CDFI intermediaries. Sommerfeld shared that working with CDFIs has allowed ProMedica to identify and invest in smaller, high-impact, and neighborhood-based projects that they would otherwise not have known about and would have been too risky to initiate directly. Oostra notes that "[working with a]

CDFI was helpful with pipeline deal flow; there were deals that wouldn't have been on our radar.” Going into these partnerships, Sommerfeld stressed the importance of having clear alignment on the type of projects that will be supported, criteria for prioritizing the ones being selected, and understanding the deal structure, including the interest rate range, on those projects.

For more information

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Sources

Kate Sommerfeld and Mark Rose, Place-based investment signatory presentation for the Healthcare Anchor Network, 03/31/2022.

Kate Sommerfeld, interview by Dave Zuckerman, Claire Brawdy and Ndeye Boury Silla, Healthcare Anchor Network, 06/09/2022.

Endnotes

¹ More information on the HAN place-based investment commitment can be found here.

² <https://worldpopulationreview.com/states/cities/ohio>

³ <https://worldpopulationreview.com/us-cities/toledo-oh-population>

⁴ More details on the history of the Market on the Green can be found in the Hospitals Aligned for Healthy Communities toolkit: Place-Based Investing ProMedica case study on pg. 29-36.

⁵ <https://metroparkstoledo.com/>

⁶ <https://metroparkstoledo.com/explore-your-parks/glass-city-metropark/>

⁷ Nesbitt, L., Meitner, M. J., Girling, C., & Sheppard, S. R. J. (2019). Urban Green Equity on the ground: Practice-based models of Urban Green Equity in three Multicultural Cities. *Urban Forestry; & Urban Greening*, 44, 126433. <https://doi.org/10.1016/j.ufug.2019.126433>

⁸ <https://bitwiseindustries.com/>

⁹ More information on this collaboration can be found in this article published by The Atlantic.

¹⁰ <https://www.lisc.org/toledo/regional-stories/lisc-ark-celebrate-construction-kickoff-historic-wonder->