

## *Investing Institutional Endowment Dollars for Community Development*



Institutional endowments represent another facet of an anchor institution's immense economic capital. Universities and colleges, alone, manage more than \$400 Billion in combined assets, to say nothing of the endowment funds of hospitals. By allocating endowment dollars and operating funds to community development, anchor institutions can leverage these powerful assets for the benefit of their community. Investing endowment dollars in the community can take many forms – from investing in real estate projects that catalyze neighborhood improvement to investing in campus partnership centers or, in the case of hospitals, investing in public health centers – and is most successful when also working towards the goals of the institution.

Often, investments must be matched by external funding to ensure their success. This is particularly true in the case of real estate development projects. Institutions will often use Tax Increment Financing, New Market Tax Credits, revenue bonds, standard commercial loans, and other sources to match their own investments. In some instances, institutions have formed nonprofit organizations – often community development corporations or community development financial institutions – that operate as independent entities but remain closely associated with the institution. These organizations are established through direct investments from the institutions and can use this institutional association to attract external funding while avoiding bureaucratic and other restrictions that may exist on central administered hospital or university funds.

### **Making it Work**

Investing endowment dollars can be a sensitive area, especially in the wake of the recession that cut in to the value of many institutional endowments. Furthermore, it is expected that there be high return on investments of endowment dollars. That being said, taking a long-term view of investments into community revitalization often result in positive payback for the institution – in the form of greater community support and trust, improvements in crime, higher enrollment numbers, and leveraging of significant additional funding. It is important to ensure that trustees understand and support the decision and that residents understand what the institution is doing and why. Transparency is critical. Here are a few tips for investing endowment dollars:

- Set a clear and agreed-upon institutional benchmark that a certain percentage (say 4%) of endowment funds will be allocated to community development.
- Invest in specific projects that – such as real estate development or a community center – that can catalyze community improvement.
- Leverage outside investors such as other nearby anchor institutions, city governments or private developers to build community capacity.

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*Making long-term investments  
in community revitalization is  
mutually beneficial: building a  
healthier community for the  
people who live there and  
improving the operating  
environment for the institution*

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## Best Practices

### *The University of Cincinnati*

The University of Cincinnati presents one of the best examples of an institution leveraging its endowment for the benefit of the community. Ranking 73<sup>rd</sup> in the nation, the University of Cincinnati's endowment was still nearly \$833 million in 2009. From 2003 through 2009, the University invested \$148.6 million of this money (roughly 13.6 percent of the school's entire endowment) to finance real estate development in the neighborhood of Uptown. This amount used to finance low-interest loans as well as nearly \$8 million in operating grants for redevelopment efforts. Loans were made available for very long terms at a below-market 4 percent interest rate. This creative use of its endowment allowed the university to make a unique investment in the community that it would otherwise be unable to finance. As a result, the University has experienced a nearly three-to-one leveraging of their endowment money through tax-debt, loans from banks, and other sources.

### *Ohio State*

Ohio State provides another good example of institutional investment of their endowment money directly into community redevelopment efforts. Working through Campus Partners, a nonprofit community development corporation, Ohio State invested \$28 million of its endowment funds into the "South Campus Gateway" complex. This project included the renovation of over 1,300 units of housing and the building of a 500,000 square-foot shopping center, as well as an on-going commitment to improving community schools through service learning. The University leveraged an additional \$100 million in external funds to support the project, including a \$35 million New Market Tax Credit allocation.

## Resources

Responsible Endowments Coalition, <http://www.endowmentethics.org/>

Uptown Consortium, Cincinnati, <http://www.uptowncincinnati.com/>

Campus Partners for Community Urban Redevelopment, <http://campuspartners.osu.edu/>