

EPIC FUND

Equity Products for Investing in Communities



THE CHALLENGE

Despite their assets and human capital, many Chicago-area communities grapple with deep, persistent inequities in financial and other resources, including those needed for catalytic real estate development projects.

Historically, such development has been associated with more prosperous communities and greater opportunity for residents. Over time, and in concert with other investments and development, catalytic projects are intended to help create the conditions that support conventional, market-rate investment and economic activity. Reflecting community aspirations, and often led by people of color, these projects have the potential to contribute to significant change in a community's economy, build wealth, and improve quality of life.

In early 2020, Corporate Coalition staff interviewed local and national developers, investors, community leaders, financial institutions, and foundations to identify gaps in the ecosystem that supports catalytic real estate projects and related business enterprises in neighborhoods that have experienced disinvestment or limited and inequitable investment. Critical gaps were identified, including lack of equity capital for real estate projects and their sponsors, access to business partnerships, and connections to relevant technical expertise.



The **Corporate Coalition of Chicago** is an alliance of companies whose mission is to reduce systemic inequities in the region by identifying and implementing new ways to deploy their capital, capabilities, and employee enthusiasm.

THE RESPONSE: EPIC FUND

Vision

Reflecting community aspirations, and often led by people of color, catalytic real estate projects in communities affected by inequities have the potential to contribute to significant change in the local economy, build wealth, and improve quality of life. The vision of the \$50-million EPIC Fund is that systemic racial and other inequities are reduced by the collective commitment of Chicago's corporate community to help increase the volume and accelerate the pace of catalytic real estate projects.

While flexible, patient debt financing is in strong supply through the region’s robust network of CDFIs and key bank partners, debt alone is insufficient, and equity from public sources is highly targeted, inflexible, and scarce.

The Fund’s flexible, patient, and risk-tolerant capital can be used for multiple purposes, “unlock” other resources (grants, public subsidies, debt), and make it possible for projects to proceed. Over time, the Fund is intended to be a proof-of-concept that this type of capital can and should be routinely available.

Leadership

To oversee the operations of the Fund and to innovate in the design of new financing products, the Corporate Coalition is partnering with the EPIC Fund Collaborative, which has been formed by leading community development financial institutions (CDFIs) in Chicago: Chicago Community Loan Fund (CCLF), IFF, and LISC Chicago. The organizations are industry experts. They have “boots on the ground” and deep knowledge of low- and moderate-income communities and communities of color and how to creatively structure deals that succeed. The Fund will be housed at and managed by CCLF, a nationally respected, 30-year-old, African-American-led CDFI, with staff leadership provided by a dedicated Fund Director.

EPIC Fund Collaborative partners are eager to innovate with new resources from the corporate community and to extend the reach and impact of the local CDFI financing infrastructure.

How it works

As summarized in the table below, the EPIC Fund will be a \$50-million pool of catalytic investment and grant capital. With an \$8-million loss reserve, the Fund will be managed with the goal of returning \$40 million of the capital to investors at the end of its 10-year life. At approximately one percent of the Fund’s total assets per year, Fund operations will be supported by grants.

Table	USES OF FUNDS	FORMS OF PARTNER SUPPORT	GOALS
EPIC Fund Target Capitalization	Project Investments	Loan (0%, 10-year unsecured) or Grant or Recoverable Grant	\$40 million
	Loss Reserve	Loan (0%, 10-year, unsecured) or Grant or Recoverable Grant	\$8 million
	Project Support Grants	Grant	\$2 million
	Fund Operations	Grant	\$5 million

Investments in the Fund To maintain maximum flexibility to deploy capital from the Fund in the varied ways that complex projects require, investments in the Fund will be in the form of grants, recoverable grants, and unsecured loans.

Eligible projects Catalytic real estate projects, which are community-driven, community-led, or community-supported commercial, retail, industrial, community facility, and mixed-used projects that provide needed jobs, amenities, and services and help build wealth in the community.

Source of projects Proposed investments will come initially through established relationships with CDFI partners in the EPIC Fund Collaborative, key bank partners, the Chicago Prize competition, the Community Desk Chicago (a project of the Chicago Community Trust), and the City of Chicago Invest South/West program. Over time, additional channels are expected to emerge.

Investment decisions Based on underwriting done by a project's primary lender and additional due diligence by the EPIC Fund Director, proposed investment will be presented to a separately constituted, single-purpose investment committee.

Capital deployed from the Fund The Fund's equity and equity-like resources are likely to be deployed in the form of grants, recoverable grants, equity investments, or first-loss subordinated debt, and used for multiple purposes, including to mitigate risk, backstop a guarantee to a lender, leverage other resources, or provide other support for a financing structure.

Impact measurement An impact measurement system will track sources and uses of capital, project outputs, leverage, and other outcomes and potentially the nature and extent of change in the communities where they are located.

ALIGNMENT WITH OTHER INITIATIVES

In addition to its own ambitions, the EPIC Fund advances the goals of the City of Chicago's Invest South/West program, the Pritzker Traubert Foundation's Chicago Prize, and other place-based efforts. Gifts and investments in the Fund also serve as a contribution to We Rise Together at the Chicago Community Trust, which is working to ensure a just and equitable recovery for the Chicago region.

OPPORTUNITY AND NATIONAL SIGNIFICANCE

The EPIC Fund is an opportunity for Chicago's corporate community to participate in a significant effort to:

- **Reduce the deep, persistent racial and other inequities** that hinder prosperity and reduce quality of life in so many Chicago-area communities
- **Innovate in the design and deployment of resources** that provide the missing piece in the community development financing puzzle
- **Demonstrate the power of equity** to unlock other critical resources that catalytic real estate projects need to proceed
- **Contribute to a local and national effort** to extend the reach and increase the impact of the community development financing industry through new products that increase the volume and accelerate the pace of catalytic real estate projects

Leaders across the country are grappling with racial and other inequities that hinder equitable prosperity and growth. Documentation of the Fund's operations and insights from the impact measurement system will allow Chicago to make a significant contribution to this essential effort.

To learn more about the EPIC Fund, including how to make an investment, please contact Brian Fabes at brian.fabes@corpcolalition.org.