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AVIVAR CAPITAL

NEW JERSEY IMPACT INVESTMENT LANDSCAPE SCAN

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INTRODUCTION

Many communities across the country have lacked access to opportunities for wealth and resource generation because of systemic racism. The ramifications of historic policies and practices disadvantaging Black, Indigenous, and other people of color can be seen today in a variety of systems including housing, education, healthcare, employment, and many others. These ramifications are manifest in gaps in wealth, education, employment, healthcare, and a myriad of other gaps that exist for communities impacted by this legacy.

New Jersey is no different. Historic practices starting with slavery and later redlining and school segregation laid the groundwork for the disparities and inequities that exist across the state today. A 2017 report released by the Anti-Poverty Network of New Jersey highlighted the major ways in which structural racism affects New Jerseyans: housing, economic justice and employment, criminal justice, legal protections, children and youth, and health, hunger, and mental health.[1] Systemic solutions centering equity are required to address disparities across these systems. These solutions must include not only policy and advocacy, but also coordinated and sustainable public and private investment across the state.

This report presents recommendations for how to achieve coordinated and sustainable public and private investment that centers equity across the state to address existing disparities and improve health outcomes. To arrive at these recommendations, the research sought to:

- Understand the geographic distribution of income-constrained communities throughout New Jersey as well as their capital needs.[2]
- Understand current capital flows to income-constrained communities across the state including what the primary sources of capital are, whether capital is flowing equitably and where capital gaps exist; and
- Identify investment opportunities where impact investors could play a catalytic role, including via collaborative models.

[1] Source: NJ Spotlight News, "More than Skin Deep: Structural Racism and Poverty in New Jersey." September 20, 2017.

[2] This report uses asset-based language to emphasize the strengths and aspirations of communities. For example, we use the term "income-constrained" as the asset-based framing alternative to "low-income."

KEY FINDINGS

1. Income-constrained communities are distributed across the state but primarily concentrated in South and Central Jersey, the result of centuries of structural racism and segregation.
2. Capital does not flow equitably across the state or yet drive sustainable change. It favors more populous cities with relatively stronger community development ecosystems.
3. New Jersey's impact investment ecosystem is still in its infancy with a nascent pipeline of investment opportunities as well as limited coordination and collaboration among investors.
4. Five sectors are prioritized among key stakeholders as critical to addressing historical inequities and improving health outcomes in New Jersey.[3] These include: 1) affordable housing, 2) access to healthy food, 3) small business, 4) alternative lending[4] and 5) transportation.
5. Coordinated and sustainable public and private investment that centers equity and addresses existing disparities to improve health and economic outcomes is needed. Impact Investors can play a transformative role in catalyzing such coordination and collaboration.

[3] Key stakeholders interviewed for this report included nonprofits, community-based organizations, public agencies, academics and institutional investors.

[4] Includes the range of financing provided by community development financial institution (CDFI) loan funds, credit unions, community development corporations (CDCs), etc.

RECOMMENDATIONS

Based on these findings, we present the following recommendations for *what* to invest in and *how* to invest.

WHAT TO INVEST IN

1. Invest across the five stakeholder-identified priority sectors to address historical inequities and improve health outcomes. These include affordable housing, access to healthy food, small business, alternative lending, and transportation.
2. Invest in ecosystem development and capital absorption capacity in racially concentrated areas of poverty still experiencing the ramifications of systemic racism.
3. Invest in both statewide and local initiatives to increase integration and connectivity between these levels as well as to increase integration and connectivity across local initiatives.

HOW TO INVEST

4. Deploy a range of coordinated or "integrated capital" including grants, catalytic and market-rate capital.
5. Rethink institutional investment policies as well as traditional approaches to diligence and underwriting to eliminate biases preventing capital from flowing more equitably.
6. Ensure the people making decisions about capital deployment within investing institutions reflect the communities that capital is meant to serve.
7. Collaborate across the range of stakeholders necessary to achieve transformative change for New Jersey including community members, impact investors, policymakers, the private sector, and others.

THE NEW JERSEY LANDSCAPE

NEW JERSEY AT A GLANCE

NJ is a prosperous and racially/ethnically diverse state with quality health and education systems as well as commitments to protecting the environment. However, significant gaps remain that disproportionately affect income-constrained and historically marginalized communities while the state's current governance system based on "Home Rule" makes it difficult to address these inequities at a systemic level.

NJ's prosperity is fueled by its economy which has been buoyed through the pandemic by strong leadership from the Governor and a healthy allocation of Federal aid. The 10th largest economy in the country, the state had a GDP of $578bn as of Q2 2022.[5] In response to COVID-19 disruptions, in January 2021 Governor Murphy signed into law the Economic Recovery Act of 2020 (ERA). ERA created a 7-year, $14bn incentive package that includes tax credits, financing, and grants to rebuild NJ.[6] The act delegated to NJ Economic Development Authority (NJEDA) oversight of the program's implementation. Governor Murphy has also spearheaded an effort to reposition NJ as an innovation center to drive equitable and inclusive economic growth. His administration has identified nine strategic growth sectors, including offshore wind, life sciences, advanced manufacturing, and technology.[7]

The state is also an emerging hub for venture funding and is consistently ranked among the top ten states with venture capital investments attracting $5.5bn in 2021.[8,9] In addition, as part of the American Rescue Plan Act of 2021, the state received $6.2bn with counties and municipalities receiving an additional $3.2bn, out of the $350bn total aid to states and local government.[10] Finally, in December 2022, NJEDA was awarded $255m through the State Small Business Credit Initiative (SSBCI) to increase access to capital for small businesses and early-stage tech companies.[11]

While already a racially/ethnically diverse state, NJ's population of approximately 9.3 million is expected to become even more so over coming years. The state is expected to experience a population growth of about 4% between 2014 and 2034.[12,13] During this period, the state's population is expected to become older as well as racially and ethnically more diverse with the population of Asians, Hispanics, multiracial residents, and elderly anticipated to grow by more than 30%.[14] It is expected that by 2034, non-Hispanic Whites will account for less than half the population in seven of NJ's 21 counties and the share of Asians and Hispanics in the labor force will grow by about 36%.[15]

The state's growing and increasingly racially/ethnically diverse population is cared for by a high-quality healthcare system. Most residents report having excellent or

[5] Statistica
[6] NJEDA
[7] Ibid.
[8] Pitchbook
[9] NJBiz
[10] NJ Policy Perspectives
[11] NJEDA
[12] US Census Bureau
[13] NJ Dept of Labor and Workforce Development
[14] US News and World Report
[15] NJ Dept of Labor and Workforce Development

good access to healthcare[16] and the state's healthcare is currently ranked #4 in the country.[17] The system is anchored by renowned healthcare institutions that call NJ home, like Johnson & Johnson, and have helped the state make critical improvements in a subset of its Healthy New Jersey 2020 indicators. These include diabetes and stroke rates among Black residents, teen birth rates among Hispanic and Black females, and cigarette smoking among Asian Americans.[18]

In addition to its quality healthcare system, NJ also has a high caliber education system. The state is known for its public education and was ranked #1 for two consecutive years by Education Week in 2019 and 2020.[19] Such recognition is driven by high graduation rates, high college persistence rates and a commitment to resourcing the education system appropriately. The state's high school graduation rate is 91% compared to the national average of 85%.[20] In addition, among those who attend college, 41% of them graduate with a degree.[21] Furthermore, the state's commitment to education is, in part, demonstrated by spending 5% of its total taxable resources on education[22] and the use of a need-based funding formula directing increased spending to majority Black schools, helping reduce the education equity gap (catalyzed by a 2008 landmark case, Abbott v. Burke).[23]

Finally, NJ has committed to protecting the environment. In 2019 under Governor Murphy's leadership, the state pledged to achieve 100% clean energy by 2050, as captured in the NJ Energy Master Plan. The plan includes goals to engage and ensure participation of low- and moderate-income communities in a just energy transition.[24] Realization of the Energy Master Plan is critical as NJ can expect to see higher temperatures, increased rainfall, sea-level rise, and more extreme weather patterns in the next century.[25]

Despite being a prosperous and racially/ethnically diverse state with quality health and education systems as well as commitments to protecting the environment, all New Jerseyans do not equitably enjoy these benefits. Significant gaps remain that disproportionately affect income-constrained and historically marginalized communities, making NJ one of the most inequitable states (see Figure 1). Stark differences in socioeconomic outcomes among racial, ethnic, gender, immigrant, and even geographic lines persist. For example, the median household income for a family living in Newark is approximately $41k compared to $250k for a family

[16] Rutgers NJ State Policy Lab
[17] US News and World Report
[18] NJ Dept of Health
[19] Education Week
[20] US News and World Report
[21] US Census Bureau
[22] Education Week
[23] Politico
[24] State of New Jersey
[25] Rutgers NJ Climate Change Resource Center

living in Milburn, just a few cities away. These inequities translate to poorer health and wellbeing, education, and economic outcomes among residents who live in income-constrained and historically marginalized communities. These disparities also compound over time and risk placing future generations at a continued disadvantage.

While the inequitable outcomes for income-constrained and historically marginalized communities are evident, the state's current governance system based on "Home Rule" makes it difficult to address inequities at a systemic level. The Home Rule Act of 1917 empowered NJ's 565 municipalities with broad authority to govern based on their communities' best interests and to protect them from state interference. It also created unique barriers to regional and statewide coordination and collaboration when, for example, 184 municipalities have fewer than 5,000 residents and 154 school districts have less than 450 students.[26] While this rule led to more responsive local governments, it also reinforced regionalist sentiments contributing to a reduced sense of statewide accountability from municipalities, organizations, and residents. With differing priorities across municipalities with respect to urban planning, development, zoning rules, and business regulations, economies of scale and the streamlining of critical infrastructure across city lines has been hindered.

FIGURE 1

NJ EXHIBITS SIGNIFICANT GAPS ACROSS SECTORS FOR MARGINALIZED COMMUNITIES

INCOME & WEALTH	27%	Households in NJ that live below the ALICE threshold.[27]
	$17,700	Median wealth of Black households, compared to $323k for White households.[28]
HOUSING	38%	Homeownership rate among Black households, compared to 76% among White households.[29]
HEALTH	15x	The disproportionate rate Black individuals experience homicide and deaths.[30]
ENVIRONMENT	25%	Expected energy rate hike which will disproportionately burden income-constrained residents occupying older, unweatherized homes.[31]

[27] ALICE stands for Asset Limited, Income Constrained, Employed. The acronym is used to describe individuals and households who earn just above the Federal Poverty Level but less than what it costs to make ends meet. Source: United for ALICE.

[28] NJ Institute for Social Justice

[29] National Low Income Housing Coalition

[30] NJ State Health Assessment

[26] US Census Bureau

[31] Energy Foundation

INCOME-CONSTRAINED COMMUNITIES IN NJ

Income-constrained communities tend to be clustered in the south and central regions of the state though there are pockets of concentrated poverty across the state in both urban and rural areas (see Box 1). Income-constrained communities also overlap significantly with racially concentrated areas of poverty. However, pockets of distress exist even in more affluent regions of the state, resulting in the need for hyper-local strategies in addition to regional and statewide strategies (see Figure 2 where distressed communities are shown in lighter colors).

BOX 1

Identifying Income-Constrained Communities in New Jersey

We used the Municipal Revitalization Index (MRI)[1] and Racially/Ethnically Concentrated Areas of Poverty (R/ECAP) data to identify income-constrained and historically marginalized communities in the state. The MRI is a methodology created by the NJ Department of Community Affairs (NJDCA) that ranks cities in the state across multiple social, economic, physical, and fiscal indicators to assess their levels of distress.[2] See Appendix A for details about the methodology as well as a summary city ranking.

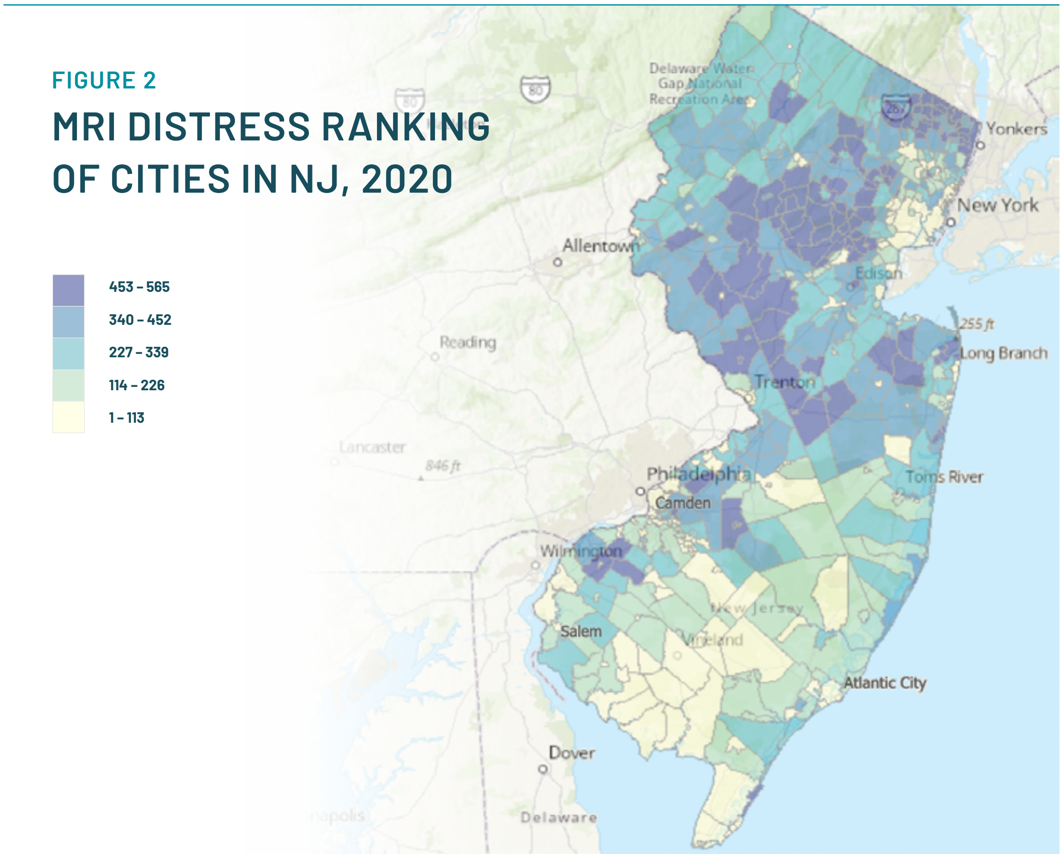
In addition to the distressed nature of communities, we looked at whether poverty was concentrated in communities that had a disproportionate share of racial/ethnic minorities. To that end, we used the Department of Housing and Urban Development's (HUD) R/ECAP (see Figure 2 as well as Figure A2 in Appendix A). Census tracts are considered R/ECAP if 1) 50% or more of their population are non-White and 2) 40% of residents live at or below the poverty line.[3]

[1] NJ Department of Community Affairs (2020). The MRI index was formerly known as the Municipal Distress Index (MDI).
[2] MRI provides a state-aligned and peer-reviewed approach toward assessing income-constrained communities.
[3] Or three times or more the average poverty rate of the metropolitan/micropolitan area.

Located in the southern part of the state, Camden City, Salem City, and Atlantic City are among the most "distressed" cities in NJ, though the Newark Metropolitan region, located in the northern part of the state, also has a heavy concentration of distressed communities.

FIGURE 2

MRI DISTRESS RANKING OF CITIES IN NJ, 2020



Source: NJ Department of Community Affairs GIS

In addition to being income-constrained, Newark City, Paterson City, and Camden City have the most R/ECAPs in the state (See Figure 3). These cities as well as other R/ECAP cities like Salem City, Atlantic City, and Passaic City overlap with the state's top ten most distressed cities (see Appendix A for R/ECAP rankings). While public agencies like NJEDA use tools like MRI and R/ECAP to inform areas of need and channel more capital to them, many of these cities continue to face barriers in accessing capital and remain heavily distressed.

FIGURE 3

RACIALLY/ETHNICALLY CONCENTRATED AREAS OF POVERTY (R/ECAP) IN NJ

● **R/ECAP Cities**

Source: HUD GIS

However, distress is not limited to income-constrained communities. Even more affluent regions of the state, such as New Brunswick and Irvington, have pockets of distress. Within these cities, pockets of concentrated poverty exist at the census tract level (currently not captured by the MRI methodology). This illustrates that poverty can be "hidden" within more affluent communities, requiring hyper-local strategies to address it.

CAPITAL NEEDS

While substantial capital has historically flowed to stakeholder-identified priority sectors, including affordable housing, access to healthy food, small business, alternative lending, and transportation (see Appendix B for priority sector profiles), a significant need remains for capital to reverse the effects of long-term discrimination and better meet the needs of income-constrained and marginalized communities. Regardless of place or sector, this means capital that is longer-term, flexible, equitably distributed and whose distribution is informed and directed by the communities it is meant to serve.

Longer-term, flexible capital is needed to address the inequities that persist in income-constrained, marginalized communities, though it is often unavailable due to traditional institutional investment policies and approaches to underwriting that come with inherent biases and preference for standardized transactions that minimize transaction cost and risk. However, there is more than bias at play in how institutions price risk. Impact investors need to disaggregate perceived from real risk and then use novel tactics to mitigate real risk. This creates complexity that reduces the profitability of often small transactions, contributing to high transaction costs and conventional investor avoidance. In some cases, capital with terms as long as 25 years is needed to address needs like affordable housing development. In other cases, the flexibility to provide low-cost, more risk tolerant capital (i.e., capital that is willing to take a subordinate position in the capital stack or willing to restructure rather than foreclose or trigger default) is necessary to catalyze a project or support small businesses. However, rigid institutional investment policies often price capital for perceived risks in income-constrained, marginalized communities rather than actual risks. This practice limits the availability of capital that meets community needs and therefore leads to inequitable distribution of capital across communities.

To address such biases and achieve equity, it is critical to not only provide long-term, flexible capital, but also to consider the way in which that capital is provided and the power dynamics underlying that process. As Alyssa Ely and Denise Hearn write in the Stanford Social Innovation Review, "Uninterrogated investment processes risk replicating legacy systems and values in how investments are made, and may put misplaced trust in the power of capital alone to create equitable outcomes." [32] To avoid replicating and perpetuating such systems, income-constrained, marginalized communities need capital whose deployment is informed

[32] Source: Stanford Social Innovation Review, "Impact Investors Need to Share Power, Not Just Capital," April 14, 2021.

and directed by those that represent the communities that capital is intended to serve.

CAPITAL FLOWS

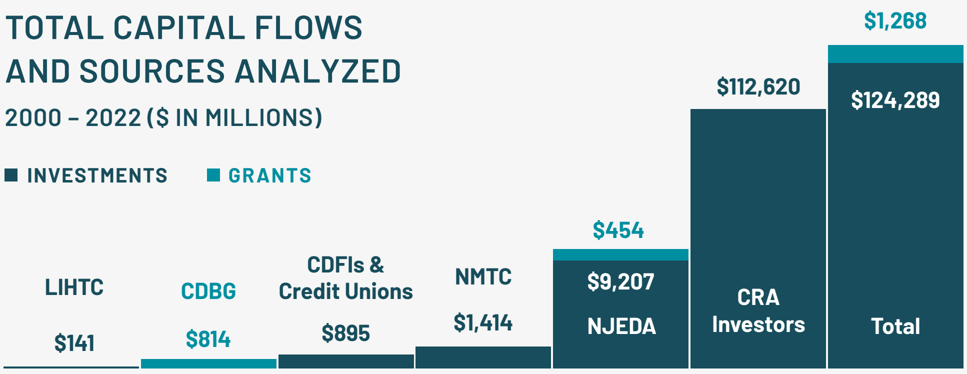
NJ has multiple sources of capital flowing to income-constrained communities. However, it does not flow equitably, favoring more populous cities with relatively more established community development infrastructure (i.e., community assets).[33] Despite the flow of capital, many of these communities remain distressed.

Among NJ's many capital providers are public agencies like the New Jersey Economic Development Authority (NJEDA), CRA-motivated banks, Community Development Financial Institution (CDFI) loan funds and credit unions, Community Development Corporations (CDCs), anchor institutions and corporations, among others (see Figure 4). Of these, CRA-motivated banks funneled the most capital into NJ cities with over $112.6bn invested during the period analyzed (see Box 2). This is followed by NJEDA with $9.6bn and New Market Tax Credits (NMTC) with $1.4bn.

BOX 2

Quantifying Capital Flows in NJ

To better understand the landscape of capital flows in NJ, we compiled data from a combination of public and private sources, including data from state agencies like NJEDA and paid subscription databases like PolicyMap, which aggregate data from diverse public sources. See Appendix A for the methodology employed in analyzing this data and for a full list of data sources consulted. We analyzed a total of $125.6bn in public and private funding that flowed to NJ counties and cities between 2000 and 2022. This included $124bn in the form of investments and tax credits and $1.3bn in grant capital.



[33] Community assets are defined as those resources that improve the quality of life for a city's residents. This includes physical assets (e.g., schools and hospitals), as well as other resources (e.g., a robust local business ecosystem, active nonprofits, etc.). See Appendix A.

FIGURE 4

SAMPLE SOURCES OF CAPITAL FOR INCOME-CONSTRAINED COMMUNITIES

FEDERAL PROGRAMS

CDFI FUND PROGRAMS

- New Market Tax Credits (NMTC)
- Healthy Food Financing Initiative
- Qualified Opportunity Zones
- Capital Magnet Fund Awards

HUD PROGRAMS

- CDBG
- LIHTC

USAD/SBA/EDA PROGRAMS

AMERICAN RESCUE PLAN (ARP)

INFRASTRUCTURE INVESTMENT AND JOBS ACT

STATE PROGRAMS

ECONOMIC DEVELOPMENT AGENCY (EDA)

- Incentive Programs
- COVID-Recovery Programs

REDEVELOPMENT AUTHORITY

- Redevelopment Investment Fund
- Urban Site Acquisition Program
- Bond Program

DEPARTMENT OF COMMUNITY AFFAIRS (DCA)

HOUSING AND MORTGAGE

FINANCE AUTHORITY

PRIVATE LENDING

CDFI LENDING

BANK/CREDIT UNION LENDING

- CRA Program

FOUNDATIONS

GRANTS

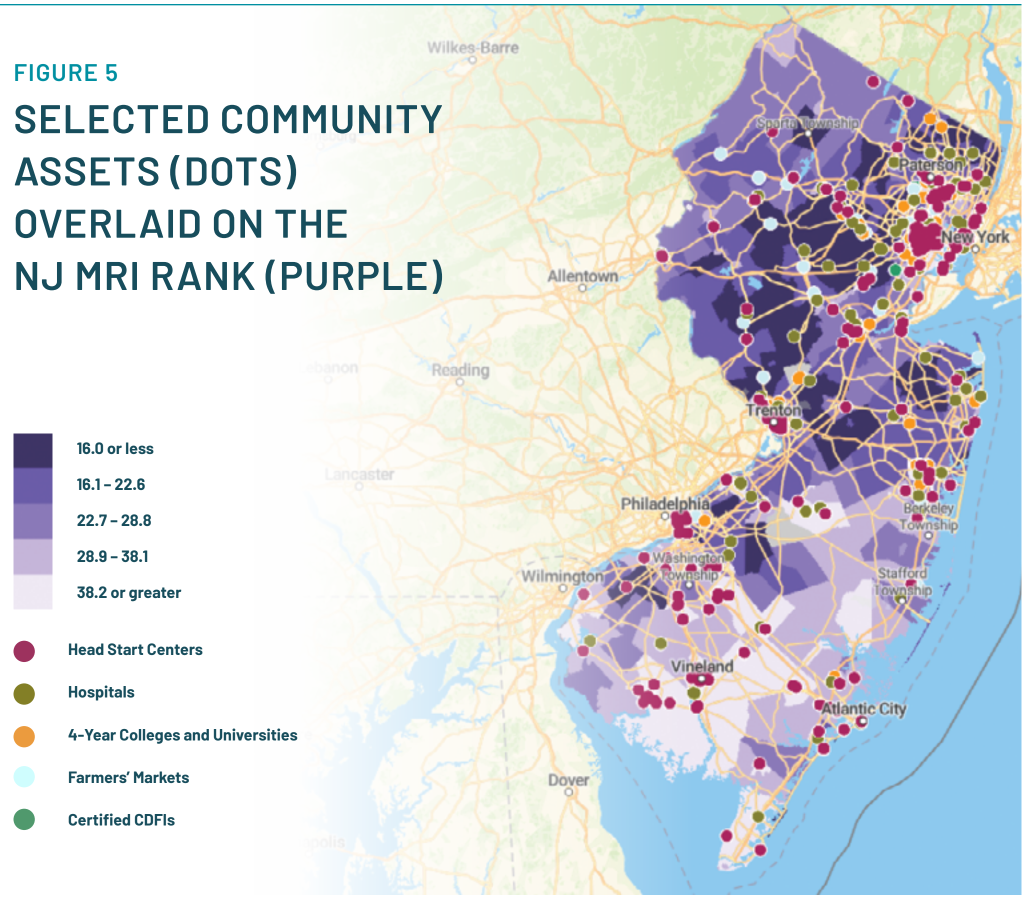
PRIS

CORPORATE

Despite having multiple capital providers in NJ deploying capital to income-constrained communities, capital does not flow equitably but favors communities with a strong base of community assets and larger populations (see Appendix A under community assets methodology). The gap between cities and counties attracting the most and least amount of funding is wide. For example, Bergen County received the most capital, at $17.5bn compared to Salem County, at $428.5m. Similarly, within these counties, their largest cities received vastly different capital flows in the period examined—Hackensack City in Bergen with a population of 40k+ received $1.27bn compared to Pennsville Township in Salem with a population of 13k that received $43m. This is likely because of their ability to leverage their assets (including local agencies with high-capacity grant solicitation divisions) to absorb and productively use capital. As shown in Figure 5, North Jersey cities tend to be more asset-rich than their counterparts in South Jersey. This can help explain why asset-rich cities like Newark City (but also Jersey City and Camden City) are able to attract significant capital.

FIGURE 5

SELECTED COMMUNITY ASSETS (DOTS) OVERLAID ON THE NJ MRI RANK (PURPLE)



Despite the flow of capital over multiple decades to cities like Newark, Jersey, and Camden, many income-constrained communities within these cities remain distressed. As Figure 6 shows, the top three cities that received the most funding during this period—Newark, Jersey, and Camden City—also ranked within the top 15% of most distressed cities in the state based on the MRI methodology (see highlighted cities in Figure 6). Other examples include Salem City, which ranked the second most distressed city in the state yet received under $28m in funding for the period analyzed. This is in stark contrast with North Caldwell, a similarly sized city which ranked 559th in the MRI ranking yet received over $1bn in funding over the period analyzed. Additional research is needed, however, to better understand why some of these cities remain distressed despite their ability to attract large capital flows.

FIGURE 6

MRI RANKING AND TOTAL FUNDING FOR TOP TEN CITIES IN NJ

2000–2022

	Total Funding $ in millions	Distressed (MRI) Ranking
Newark City	**$3,876**	**12**
Jersey City	**$3,786**	**77**
Camden City	**$1,991**	**1**
Lakewood Township	$1,856	58
Edison Township	$1,834	344
Clifton City	$1,766	123
Cherry Hill Township	$1,602	347
Paterson	**$1,561**	**9**
Woodbridge Township	$1,356	260
Hackensack City	$1,265	122

CAPITAL GAPS

Capital gaps exist because current capital flows do not meet existing capital needs due to both the scale of deferred investment and a variety of persistent barriers preventing capital from flowing to income-constrained communities. Such barriers include lack of information and technology, limited networks, lack of coordination & connectivity, limited coverage, and impaired capacity to access and leverage available capital programs and sources. In addition, a lack of transparency in public sources of funding also creates barriers. All of these factors contribute to inequitable distribution of resources. Persistent barriers include:

- **Lack of Information & Technology**
  Small businesses often cite the lack of available information about capital sources and related resources as a key barrier to accessing credit and government-backed programs. This is partially driven by lack of access to technology and the knowledge about how to access these programs, many of which rely on online application portals.

- **Limited Networks**
  Communities, organizations, and stakeholders with deep networks across the public and private sector have greater success in accessing capital. Income-constrained communities and their stakeholders with relatively more limited networks including smaller local development departments face greater barriers in accessing capital.

- **Lack of Transparency**
  There is a perception that public agencies could improve transparency when launching new products, both in terms of better clarity around the type of products being offered (grants, debt, etc.) and the availability of information in multiple languages. As noted, the siloed nature of NJ public agencies is also a key hurdle to overcome when looking to access credit and financial assistance.

- **Lack of Coordination & Connectivity**
  Lack of coordination and connectivity among communities creates a barrier in access to capital by limiting access to information and leverage of existing networks. Similarly, lack of coordination & connectivity among capital providers creates additional barriers for income-constrained communities by adding complexity and inefficiency to the process of accessing capital. This exacerbates the challenges these communities already face with lack of access to information and limited networks. For example, in the public sector, each agency has its own program, portal and application, requiring applicants to navigate that complexity and disadvantaging those that cannot.

- **Coverage and Capacity**
  Insufficient coverage across the state by mission-driven lending institutions is also a barrier creating capital gaps. Experts point to lack of capacity and resources as the main drivers for scarce coverage by CDFIs and other mission-driven lenders. These intermediaries lack the capacity to lend in hard-to-reach areas of the state, resulting in gaps for those communities. These capacity constraints include lack of sufficient staffing, lack of a physical presence, and lack of sufficient capital to relend.

KEY FINDINGS

1 Income constrained communities are distributed across the state but primarily concentrated in South and Central Jersey; the result of centuries of structural racism and segregation.

Historically, these regions were primarily agricultural and had the highest rates of school segregation. In addition, they lack proximity and connectivity to large, thriving metropolitan areas like New York. Not coincidentally, New Jersey's most income-constrained communities are also communities that have a higher concentration of racial/ethnic minorities. That said, even in wealthier parts of the state, there are still pockets of concentrated poverty, underinvestment, and significant wealth gaps rooted in historical inequities and racist policies like redlining. For example, Newark and Milburn are located 10 miles apart in Essex County, North Jersey, but their outcomes could not be more different. Milburn's median household income is $250k+ compared to Newark's $41k.[34] It is critical that funders and investors understand the distributed nature of poverty across the state because it:

- Helps to demystify the perception among investors that areas of concentrated poverty tend to only occur in a handful of settings (e.g., rural communities only);
- Serves to inform how funders and investors can better target their investments so they result in more equitable outcomes (e.g., by focusing on areas that have been systematically overlooked); and
- Highlights the need for both state-wide approaches as well as local interventions.

[34] U.S. Census Bureau.

2 Capital does not flow equitably or yet drive sustainable change across the state.

Even though more populous cities have received large capital flows from federal, state, and local funding, capital alone is not the problem. There must also be greater capacity and coordination to absorb that capital. However, additional research is needed to better understand the capacity development needs in these marginalized cities.

3 New Jersey's impact investment ecosystem is still in its infancy with a very nascent pipeline of impact investment opportunities (see Appendix C).

Most impact investment opportunities in New Jersey are currently at the ideation stage, despite their potential to catalyze statewide collaboration, particularly around key priorities such as affordable housing and healthy food access. There are only a handful of actors, mainly from the private philanthropic sector, actively making impact investments. While it is understood that catalytic, integrated capital is critically needed to move many of these nascent impact investment opportunities forward, many impact investors still face organizational barriers in starting and scaling catalytic impact investing programs.

4 Five sectors are prioritized among key stakeholders as critical to addressing historical inequities and improving health outcomes in New Jersey.

These include: 1) affordable housing, 2) access to healthy food, 3) small business, 4) alternative lending, and 5) transportation. Each of these priorities mirror key social determinants of health and represent important levers that can help shift health outcomes within the state outside of healthcare delivery. Among these, community partners highlighted access to affordable housing as the top priority for many income-constrained and historically marginalized communities in New Jersey, while acknowledging that the need looks different by region.

5 Coordinated and sustainable public and private investment that centers equity and addresses existing disparities is needed to improve health and economic outcomes. Impact investors can play a transformative role in catalyzing such coordination and collaboration.

There is growing interest among public and private investors in New Jersey to intensify impact investing efforts. Examples of stakeholders willing and ready to collaborate more closely include the New Jersey Governor's Office, private foundations (i.e., Dodge, Victoria, Princeton Area Community Foundation, Community Foundation of South Jersey, etc.), as well as corporations. However, a key barrier to greater statewide collaboration is the lack of formal coordination, convening, peer-learning, and investment-ready opportunities, both at the local and state level. As result, most impact investment activity to-date has happened on an ad-hoc basis and without a state-wide or systemic lens. This lack of connectivity and siloed approach to impact investing prevents efforts from gaining momentum and scale.

RECOMMENDATIONS

1. **Invest across the five stakeholder-identified priority areas to address historical inequities and improve health and economic outcomes.** Investors must prioritize deploying capital across all high-priority areas, particularly affordable housing, but also access to healthy food, small businesses, alternative lending and transportation. Each of these social determinants of health present possible investment opportunities with the potential to address historical inequities impacting income-constrained and historically marginalized communities.

2. **Invest in ecosystem development and capital absorption capacity in racially concentrated areas of poverty (RCAPs) still experiencing the ramifications of systemic racism.** To achieve long-term equitable outcomes for historically marginalized communities, investors should proactively fund ecosystem building and capacity development in areas that have traditionally borne the brunt of systemic racism and decades of underinvestment (e.g., redlining, etc.). This includes historically marginalized communities like Camden, Salem, and Atlantic City but also Paterson and Newark. While data shows that substantial capital is flowing to many of these cities (e.g., tax credits, grants, etc.), benefits have not accrued equally across them. Shifting the focus to funding ecosystem development and technical capacity instead, with an emphasis on models that are community-led and community-driven, has the potential to create the conditions and infrastructure that a community needs to attract, absorb, and direct capital in more equitable ways.

3. **Invest in both statewide and local initiatives to increase integration and connectivity among these levels as well as across local initiatives.** Investors should adopt a two-pronged strategy that includes support for statewide models as well as support for more localized, grass-roots, and community-driven initiatives.

   Statewide models are necessary because they:

   - Allow for the deployment of capital at scale and mobilize a broader range of investors including public agencies, philanthropy, corporations, and others;
   - Provide a path to scale for local projects seeking capital to grow beyond municipal boundaries, thus ensuring that a continuum of capital is available to local initiatives as they mature and expand; and
   - Can help to break down entrenched silos that currently limit the flow of information, capital, and other resources to historically marginalized communities.

   Statewide initiatives are key to developing the “connective tissue” - through peer learning, communities of practice, etc. - that incentivizes statewide investors to work together along common goals and objectives. However, local initiatives must also be nurtured, particularly those that (i) support local capital absorption capacity as well as ecosystem and infrastructure building in historically marginalized communities and (ii) are community-led and community-driven. Supporting local models:

- Ensures efforts reflect local community needs;
- Contributes to local ecosystem development and capital absorption capacity for historically marginalized communities; and
- Spurs innovation at the local level with the potential to inform and influence policy and systems change at the regional/state level.

4. **Deploy a range of coordinated or "integrated capital" including grants, catalytic and market-rate capital.** Deploying a range of coordinated capital can accelerate and strengthen the development of the impact investment ecosystem in New Jersey by seeding new models, de-risking early-stage models, and scaling models that have been proven to work. Integrated capital – pairing grant capital with impact investments - should be leveraged to help incubate and then capitalize initiatives and/or establish proof points at the local, regional, and/or state level. They can also be used to support stronger community development ecosystems, creating capacity in the community so it is best positioned to absorb subsequent investment capital. Additionally, impact investors committed to deploying capital in the state with a racial equity lens must be willing to structure their investments in ways that address systemic barriers, meet community needs and reflect a long-term commitment to the field. This should include approaches like accepting concessionary returns and offering long-term maturities. For example, tackling the housing affordability crises in NJ would benefit from investment horizons of 25 years or longer.
5. **Rethink institutional investment policies as well as traditional approaches to diligence and underwriting to eliminate biases preventing capital from flowing more equitably.** Traditional approaches governing how private and public dollars are invested contain embedded biases that impact how capital decisions are made and therefore who receives capital. This has resulted in systemic cycles of underinvestment in people in places most proximate to the problems caused by inequity.
6. **Ensure the people making decisions about capital deployment within investing**

institutions reflect the communities that capital is meant to serve. Investors should move away from "consultative" approaches to community engagement to centering community voices and power throughout the investment process – from how investment opportunities are sourced and vetted to who has a seat at the table deciding how capital is allocated and which opportunities get funded.

7. **Collaborate across the range of stakeholders necessary to achieve transformative change for New Jersey including community members, impact investors, policymakers, the private sector and others.** Collaboration can facilitate peer learning and increase the supply and effective deployment of impact investment capital. New Jersey has a growing impact investing ecosystem, but efforts are often happening in silos. A handful of proven, place-based collaborative models across the nation provide a glimpse of what is possible in the state when stakeholders come together and move towards common goals and objectives (See Appendix D).

CONCLUSION

Like many other states, NJ is still grappling with a legacy of slavery that laid the groundwork for the disparities and inequities that persist today. This includes income-constrained communities distributed across the state, albeit concentrated in South and Central Jersey, as well as inequitable capital flows that favor more populous cities with relatively stronger community development ecosystems. While coordinated and sustainable public and private investment that centers equity is needed across the state to address persistent disparities and improve health and economic outcomes, NJ's impact investing ecosystem is still in its infancy with only a nascent pipeline of investment opportunities as well as limited coordination and collaboration among investors.

Impact investors can play a transformative role in catalyzing much needed coordination and collaboration in New Jersey by partnering with other actors across the state to focus investment activity on the five key stakeholder identified priority sectors including affordable housing, access to healthy food, small business, alternative lending and transportation. Increased collaboration, coordination, and connectivity (including through the creation of a New Jersey-specific impact investors collaborative) can help to achieve a more effective and equitable deployment of capital and begin to address several of the gaps identified in NJ. This, in turn, can help to pave the way to a stronger and more robust impact investing ecosystem in the state and as such, a healthier and more equitable state.

APPENDICES

APPENDIX A:

RANKINGS & METHODOLOGIES

THE MUNICIPAL REVITALIZATION INDEX (MRI) METHODOLOGY

The MRI is NJ's official methodology for ranking municipalities across social, economic, physical, education, and fiscal conditions. The index uses the following indicators:[35]

- **Physical:** Population change and housing vacancy rate.
- **Social:** Percentage on Supplemental Nutrition Assistance Program (SNAP) benefits and children on Temporary Assistance for Needy Families (TANF).
- **Economic:** Poverty rate, median household income, and unemployment rate.
- **Education:** Percentage with a high school diploma or higher.
- **Fiscal:** Average property tax rate and equalized valuation per capita.

Municipalities are scored and ranked across these indicators. Cities that score lower on the social, physical, economic, education, and fiscal indicators are considered more distressed and are ranked higher on the MRI ranking. The state uses the MRI index to determine distribution of "need-based" funds across state agencies. For example, NJEDA uses the MRI to determine "Incentive Areas" where additional financing and tax incentives are directed to spur growth.

[35] NJ Department of Community Affairs (2020).

KEY TAKEAWAYS

- **The top ten most distressed cities in New Jersey** include Camden, Salem, and Atlantic City (see Figure A1).
- **Clusters of concentrated poverty tend to exist not just at the city level but more so at the census tract level.** This is a limitation of the MRI methodology, which must be used as a starting point to identify concentrations of poverty at the city level that can direct subsequent analysis at a more hyperlocal level as needed.

FIGURE A1

TOP 10 AND BOTTOM 10 DISTRESSED CITIES IN NEW JERSEY PER THE MRI RANKING

1 = MOST DISTRESSED 565 = LEAST DISTRESSED

TOP TEN CITIES	COUNTY	RANKING
Camden City	Camden	1
Salem City	Salem	2
Atlantic City	Atlantic	3
Penns Grove Borough	Salem	4
Bridgeton City	Cumberland	5
Trenton City	Mercer	6
Woodbine Borough	Cape May	7
Wildwood City	Cape May	8
Paterson City	Passaic	9
Passaic City	Passaic	10

BOTTOM TEN CITIES	COUNTY	RANKING
Tavistock Borough	Camden	565
Mountain Lakes Borough	Morris	564
Ho-Ho-Kus Borough	Bergen	563
Milburn Township	Essex	562
Essex Fells Borough	Essex	561
Saddle River Borough	Bergen	560
North Caldwell Borough	Essex	559
Chatham Borough	Morris	558
Little Silver Borough	Monmouth	557
Rumson Borough	Monmouth	556

FIGURE A2

HUD'S RACIALLY/ETHNICALLY CONCENTRATED AREAS OF POVERTY

1 = MOST R/ECAP TRACTS   9 = LEAST R/ECAP TRACTS

CITY	COUNTY	RANKING
Newark City	Essex	1
Paterson City	Passaic	2
Camden City	Camden	3
Atlantic City	Atlantic	4
Bridgeton City	Cumberland	5
Trenton City	Mercer	5
Passaic City	Passaic	5
New Brunswick City	Middlesex	8
Irvington Township	Essex	9
Jersey City	Hudson	9
Asbury Park City	Monmouth	9
Long Branch City	Monmouth	9
Salem City	Salem	9

OVERVIEW: CAPITAL FLOWS METHODOLOGY

To better understand the landscape of capital flows in NJ, we compiled data from a combination of public and subscription-based data sources, including data from paid subscription sources such as PolicyMap (see Figure A3). Our analysis period covers capital flows between 2000 and 2022. We focused on capital flows data going toward specific areas of need surfaced during interviews with stakeholders, including affordable housing, small business lending, and community development. We were unable to access data, however, from several relevant public agencies within the state that oversee funding in these priority areas, as well as funding data from private philanthropic funders. Given these limitations, the data and analyses conducted should not be taken to be a comprehensive review of all capital flowing to NJ, but as a partial assessment.

FIGURE A3

CAPITAL FLOWS DATA ANALYZED

Capital Provider	Data Source	Data Type	Capital Type	Available Period
NJEDA	NJEDA	Business Employment Incentive Program (BEIP)	Tax Credit	2000–2016
		Business Retention and Relocation Assistance Grant Program (BRRAG)	Tax Credit	2005–2013
		Urban Transit Hub Tax Credit Program	Tax Credit	2011–2018
		Economic Redevelopment and Growth Program	Grant/Tax Credit[36]	2011–2021
		Grow NJ Program	Tax Credit	2012–2022
		Small Business Lease Grant Program	Grant	2021–2022
		Small Business Improvement Grant Program	Grant	2022
		Small Business Emergency Assistance Loan Program (Phase 1–2)	Investment	2020–2021
		Small Business Emergency Assistance Grant Program (Phase 1–3)	Grant	2020–2021
		Sustain and Serve NJ Program	Grant	2021

FIGURE CONTINUED ON FOLLOWING PAGE

[36] Classified as investment as it falls under NJEDA's tax incentive programs.

FIGURE A3

CAPITAL FLOWS DATA ANALYZED (CONTINUED)

Capital Provider	Data Source	Data Type	Capital Type	Available Period
CRA Investors	PolicyMap, CRA	Small Business Lending	Investment	2004–2019
CDFIs	PolicyMap, CDFI Fund	Loans Disbursed	Investment	2000–2022
CDFI Fund	PolicyMap, CDFI Fund	New Market Tax Credits (NMTC)	Tax Credit	2005–2020
Credit Unions	PolicyMap, CDFI Fund	Loans Disbursed	Investment	2017
HUD	HUD	Low Income Housing Tax Credits (LIHTC)	Tax Credit	2000–2022
HUD	PolicyMap, HUD	Community Development Block Grants (CDBG)	Grant	2000–2018

We aggregated and analyzed data up to the city and county level to identify trends in capital flows and whether (i) funding reflected the overall needs and priorities of income-constrained communities in NJ and (ii) funding was being allocated equitably across the state. This resulted in a ranking of all cities across the state (see Figure A4).

FIGURE A4

CAPITAL FLOWS RANKING

TOP TEN CITIES	COUNTY	CAPITAL INVESTED $ IN MILLIONS	BOTTOM TEN CITIES	COUNTY	CAPITAL INVESTED $ IN MILLIONS
Newark City	Essex	$3,876	**Harvey Cedars Borough**	Ocean	$14
Jersey City	Hudson	3,786	**Stillwater Township**	Sussex	14
Camden City	Camden	1,991	**Bloomsbury Borough**	Hunterdon	27
Lakewood Township	Ocean	1,856	**Hampton Borough**	Hunterdon	98
Edison Township	Middlesex	1,834	**Stockton Borough**	Hunterdon	100
Clifton City	Passaic	1,766	**Deal Borough**	Monmouth	115
Cherry Hill Township	Camden	1,602	**Hope Township**	Warren	115
Paterson	Passaic	1,561	**Mantoloking Borough**	Ocean	127
Woodbridge Township	Middlesex	1,356	**Loch Arbour Village**	Monmouth	134
Hackensack City	Bergen	1,265	**New Hanover Township**	Burlington	145

[37] University of Memphis. Asset-Based Community Engagement

OVERVIEW: COMMUNITY ASSETS METHODOLOGY

To better understand why some communities attract more capital than others, we examined whether the strength of a community's assets was a key determinant of capital absorption. Community assets can be institutional, natural, cultural, and built.[37] For this analysis, we looked at community assets across the following social determinants of health:

- **Education**: The presence of early childhood education centers, four-year universities, and community colleges.
- **Health**: The presence of hospitals and community health centers as well as access to healthy foods.
- **Economy**: The presence of banks and CDFIs, and availability of affordable homes.
- **Neighborhood**: The prevalence of crime and ease of access to public transit.
- **Social**: The prevalence of nonprofit and community organizations.

Data on these indicators were obtained from PolicyMap, the Environmental Protection Agency (EPA), the Federal Bureau of Investigation (FBI), and NJDCA (see Figure A5 for a full list of indicators included in the analysis). Each city was then ranked according to the presence or availability of these community assets (see Figure A6). The higher the number of community assets a city possessed, the higher its rank.

FIGURE A5

COMMUNITY ASSETS DATA SOURCES ANALYZED

COMMUNITY ASSET / INDICATOR	CATEGORY	SOURCE
No. of Four-Year Universities	Education	PolicyMap, National Center for Education Statistics
No. of Community Colleges	Education	PolicyMap, National Center for Education Statistics
No. of HeadStart Centers	Education	PolicyMap, HeadStart
No. of Hospitals	Health	PolicyMap, Health Resources and Services Administration
No. of Community Health Centers	Health	PolicyMap, Health Resources and Services Administration
Food Desert Designation	Health	NJDCA
Proportion of Homes Affordable at 80% AMI	Economy	PolicyMap, Census, HUD
No. of Banks	Economy	PolicyMap, Federal Deposit Insurance Corporation
No. of CDFIs	Economy	PolicyMap, CDFI Fund
No. of Nonprofits	Social	PolicyMap, National Center for Charitable Statistics
Proximity to Transit	Neighborhood	Environmental Protection Agency
Crime Rate	Neighborhood	Federal Bureau of Investigation

FIGURE A6

NEW JERSEY CITIES RANKED BY COMMUNITY ASSETS

1 = MOST ASSET-RICH   562 = LEAST ASSET-RICH

TOP TEN CITIES	COUNTY	RANKING	BOTTOM TEN CITIES	COUNTY	RANKING[38]
North Hanover Township	Burlington	1	**Pemberton Borough**	Burlington	562
Victory Gardens Borough	Morris	2	**Salem City**	Salem	561
Upper Pittsgrove Township	Salem	3	**Wildwood City**	Cape May	560
Mannington Township	Salem	4	**Garfield City**	Bergen	559
Washington Township	Gloucester	5	**Clementon Borough**	Camden	558
Hi-Nella Borough	Camden	6	**Paulsboro Borough**	Gloucester	557
Freehold Township	Monmouth	7	**Asbury Park City**	Monmouth	556
Audubon Park Borough	Camden	8	**City of Orange Township**	Essex	555
New Hanover Township	Burlington	9	**Neptune City Borough**	Monmouth	554
Lebanon Township	Hunterdon	10	**Elizabeth City**	Union	553

[38] Excluding cities that had zero community assets.

APPENDIX B:

PROFILES OF STAKEHOLDER-IDENTIFIED PRIORITY SECTORS

Key stakeholders interviewed identified five priority sectors critical to addressing historical inequities and improving health outcomes in New Jersey. These sectors have the greatest need for coordinated capital deployment at scale in income-constrained communities and include affordable housing, access to healthy food, small business, alternative lending and transportation. Access to affordable housing is by far the most pressing need in income-constrained communities, followed by access to healthy foods and small business lending. Access to transportation and broadband were also found to be a critical need, but to a lesser extent.

PROFILE: AFFORDABLE HOUSING

NJ has a dire need for access to quality, affordable housing across the housing continuum, from affordable rental to home ownership. The state currently faces a shortage of 300,000 affordable units. Yet, significant barriers exist that prevent development of affordable housing projects at scale, exacerbating the affordability crisis.

OVERVIEW

NJ is one of the most expensive states to live in, in part, driven by a shortage of more than 300,000 affordable units.[39,40] A worker needs to earn $31.32 per hour or work 96 hours per week at minimum wage to afford a 2-bedroom rental.[41] Yet, access to safe, stable, and affordable housing affects the health and life outcomes of residents, disproportionately impacting families and individuals living in income-constrained communities. For example:

- Individuals living in inferior quality housing and neighborhoods exposed to air and water pollutants are more likely to report acute health conditions.[42]
- Housing instability, where families are constantly on the move, has been shown to have a long-term effect on children's educational outcomes.[43]

[39] National Low Income Housing Coalition: NJ State Housing Profile

[40] NJ Spotlight News: Feds deliver $300m shot in the arm to NJ's affordable housing.

[41] National Low Income Housing Coalition: Out of Reach: The High Cost of Housing.

[42] National Community Reinvestment Coalition (2021). Redlining and Health

[43] MacArthur Foundation (2017). Why Educators, Health Professionals, and Others Focused on Economic Mobility Should Care about Housing

- Families that are cost burdened—households who spend more than 30% of their income on rent or mortgage—are forced to choose between making rent and affording healthy food or access to healthcare.[44]

While the effects on health and life outcomes are similar, the affordable housing needs look different across North, South, and Central Jersey, as well as between urban and rural communities. For example, in North Jersey, rapidly rising land cost and limited availability are critical barriers limiting the development of new housing inventory. Stiff competition and high land cost restricts already slim profit margins and disincentivizes developers to build affordable housing. In contrast, in South Jersey, land availability is not a constraint but the lack of population density makes it challenging to build affordable housing projects at a scale that make economic sense. In addition, there has been an influx of institutional investors buying up properties, especially in shoreline and marginalized communities, reducing housing stock and driving up housing prices for residents.[45]

Historical events leading to the dissolution of critical public infrastructure in the state played a key role in creating the current affordable housing crisis. The historic NJ Supreme Court decisions in 1975 and 1983 known as the Mount Laurel decisions prohibited exclusionary zoning in municipalities and mandated cities provide housing for low- and moderate-income residents. This led to the creation by the state legislature of the Council for Affordable Housing (COAH) to oversee the implementation of Mount Laurel decisions.[46] Despite its key role in safeguarding development of affordable housing, COAH was abolished in 2011 by former Governor Chris Christie, with oversight delegated to the state's courts. Without COAH as a central oversight authority, there was a slow dismantling of the affordable housing infrastructure in NJ that severely impacted future progress on affordable housing developments.

However, recent events highlight a building momentum and appetite from the current administration to tackle the affordable housing crisis, including Governor Phil Murphy's recent allocation of $305m to the state's Affordable Housing Production Fund. The fund will be managed by the Housing Mortgage and Finance Agency (HMFA) and will fund the development of an additional 3,300 units.[47]

Even so, that represents ~1% of the estimated shortage of 300,000 units. This reinforces the need for new, innovative approaches to solving the affordable housing gaps in NJ, including faster and cheaper ways of building inventory along with access to capital to fund new development.

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[44] United for ALICE (2020). On Uneven Ground

[45] NJDCA (2022). Buying New Jersey

[46] NJ Spotlight News: Mount Laurel Decisions Shelter Poor and Low-Income New Jerseyans

[47] NJ Spotlight News: Feds deliver $300m shot in the arm to NJ's affordable housing.

KEY HIGHLIGHTS

Housing affordability is a prevalent issue among income-constrained communities in NJ, with disproportionate impact in the South and Central regions of the state.

- **Affordable housing is top of mind for many.** Access to affordable housing emerged as a top need. Limited supply of housing contributing to rising housing costs has made homes unattainable for many NJ residents.
- **Multiple barriers limit the development of affordable housing.** Despite the need, significant cost, capacity, and structural barriers exist that limit development of more affordable housing in the state (see Figure B1).
- **Income-constrained communities in Central and South Jersey bear the brunt of housing affordability issues.** Communities in Central and South Jersey—where most income-constrained communities are located—are also the communities experiencing the most challenges with housing affordability (see darker, blue-colored areas of the map in Figure B2). The need is particularly acute in Atlantic, Ocean, Cumberland, Cape May, Salem, Gloucester, and Camden counties. Despite having the lowest median home prices and rents in the state,[48] residents in these counties still struggle to afford a home.
- **The housing burden is also felt in wealthier parts of the state.** Pockets of residents burdened by housing costs are also found in rural parts of Sussex, Passaic, and Warren counties in NJ, given the distributed nature of poverty.
- **There is limited impact investing activity targeting affordable housing in NJ, especially at the statewide level.** Interviewees alluded to the long-term commitment required to see through affordable housing initiatives as a major impediment to new projects. On the supply side, there is a need for investment funds, vehicles, and structures through which capital providers can efficiently deploy capital at scale. On the demand side, there is a need for catalytic, long-term, patient capital paired with technical assistance to support a greater pool of developers, especially emerging developers and developers of color. This can come in the form of grants, first-loss loans, or guarantees. There is also the need for concessionary capital to lower the entry barrier for first-time homebuyers.

[48] Rutgers (2021). NJ State Policy Lab

- **Emphasis on affordable housing or market-rate housing is overshadowing the need for workforce housing.** Workforce housing is a critical need for many families that do not qualify for affordable housing yet do not make enough to afford market-rate housing. However, these projects do not qualify for the same subsidies affordable housing projects do, requiring equity financing from the private markets to be viable. Equity capital is more difficult to source than debt and thus acts as a key barrier, particularly for developers of color already challenged to access capital.
- **Anchor institutions have a vested interest in supporting the development of new affordable housing units.** Anchor institutions, like hospitals and universities, have a critical role to play in funding new housing projects as a benefit to their employees, leading to employee retention. Furthermore, hospitals and universities can leverage better and safer access to housing as a means to supporting healthier and more vibrant communities.
- **New catalytic capital tools can spur development of affordable housing.** Guarantees, land banks, and land trusts are underutilized but promising tools to unlock capital and lower the cost of new development.
- **Small-dollar mortgages could be transformative to many families who rent but could afford a mortgage.** However, banks are disincentivized to finance these mortgages because of the low margins, according to housing groups.
- **Conversion can be equally as powerful as new construction.** Turning existing housing units into affordable units holds promise for regions where there is a prohibitive cost of land and limited inventory. Conversion may involve subsidizing home purchases or buying down properties to make them more affordable for extremely and very low-income people.
- **There appears to be a disconnect between the type of capital needed by communities and the capital available from impact investors.** There is a critical need in NJ for patient, long-term capital that meets community needs and helps to address decades of underinvestment for income-constrained communities. However, most impact investors are currently unable to provide capital on the terms needed. In many cases, these are self-imposed barriers stemming from traditional underwriting frameworks and/or long-held beliefs and perceptions that investing in income-constrained communities or populations of color carries higher risk. Impact investors must reevaluate risk-return expectations when investing in marginalized communities. They must also engage in self-reflection about those barriers that are preventing a more equitable deployment of resources in communities

with the most need. In addition, introducing products that better intermediate between what investors want and what communities need can also help to address this disconnect.

FIGURE B1

BARRIERS LIMITING AFFORDABLE HOUSING DEVELOPMENT

KEY BARRIER	DESCRIPTION
LIMITED, EXPENSIVE LAND	Rising cost of land and competition from external investors are making it hard for nonprofit and emerging developers (who are more likely to focus on affordable housing) to acquire land/property. The prohibitive cost of land is driving a preference for market-rate properties, rendering affordable housing financially non-viable.
ENTRENCHED RELATIONSHIPS	Most affordable housing and Low-Income Housing Tax Credit (LIHTC) projects in NJ are led by the same group of developers who have entrenched relationships with banks and thus, have ready access to capital in addition to political connections.
CAPACITY CONSTRAINTS	Emerging developers, who are attempting to make an impact in the affordable housing sector, lack the experience to navigate the often-complex process of qualifying for LIHTC projects and capacity supports to develop large-scale affordable housing projects.
ACCESS TO CAPITAL	Because of their smaller balance sheets, variable cashflows, limited equity and networks, emerging developers also struggle to access the predevelopment financing necessary to plan, acquire land, obtain permits, and submit LIHTC applications.
LIHTC-SPECIFIC CONSTRAINTS	To qualify for LIHTC, developers must demonstrate equity ownership in prior projects (i.e., 50% equity in the past two projects). This effectively introduces a barrier to emerging developers who lack access to equity capital. While emerging developers could partner with a more established developer to share project ownership and build track record, experts we spoke with pointed to the unwillingness by established developers to partner up, as this would mean supporting the creation of a new entrant/competitor.
NIMBYISM	Many cities in New Jersey vehemently oppose the development of affordable housing projects. The dissolution of COAH, created to enforce development of affordable housing units by cities, has worsened the situation (see Housing Needs Overview section).
CONVOLUTED, LENGTHY PROCESS	The process of developing affordable housing is highly fragmented with poor coordination between state, counties, and municipalities, each prioritizing their own timelines, process, and requirements.
ISOLATED DEVELOPMENTS	There is a lack of a systemic approach to tackling affordable housing in the state. Developments are happening in isolation without a holistic approach, limiting their potential impact.

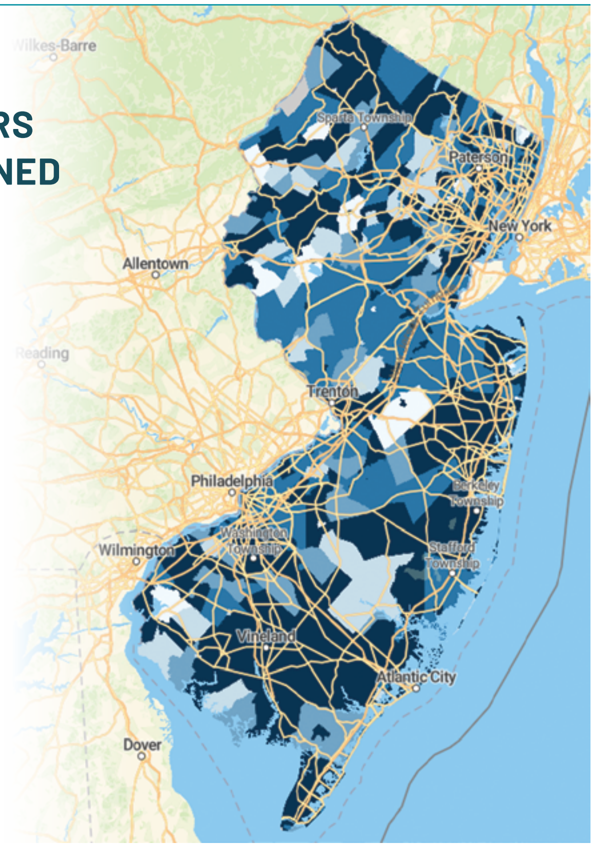
FIGURE B2

PROPORTION OF RENTERS THAT ARE COST-BURDENED

2017–2021

- 12.89% or less
- 12.90% – 29.99%
- 30.00% – 37.35%
- 37.36% – 47.11%
- 47.12% or greater

Source: US Census Bureau, PolicyMap. Darker, blue-colored communities experience more prevalent housing affordability issues and tend to match distressed communities per the MRI methodology.



PROFILE: ACCESS TO HEALTHY FOOD

Many income-constrained communities in NJ live in “food deserts”. Capital is needed in these communities to improve access to healthy foods for residents.

OVERVIEW

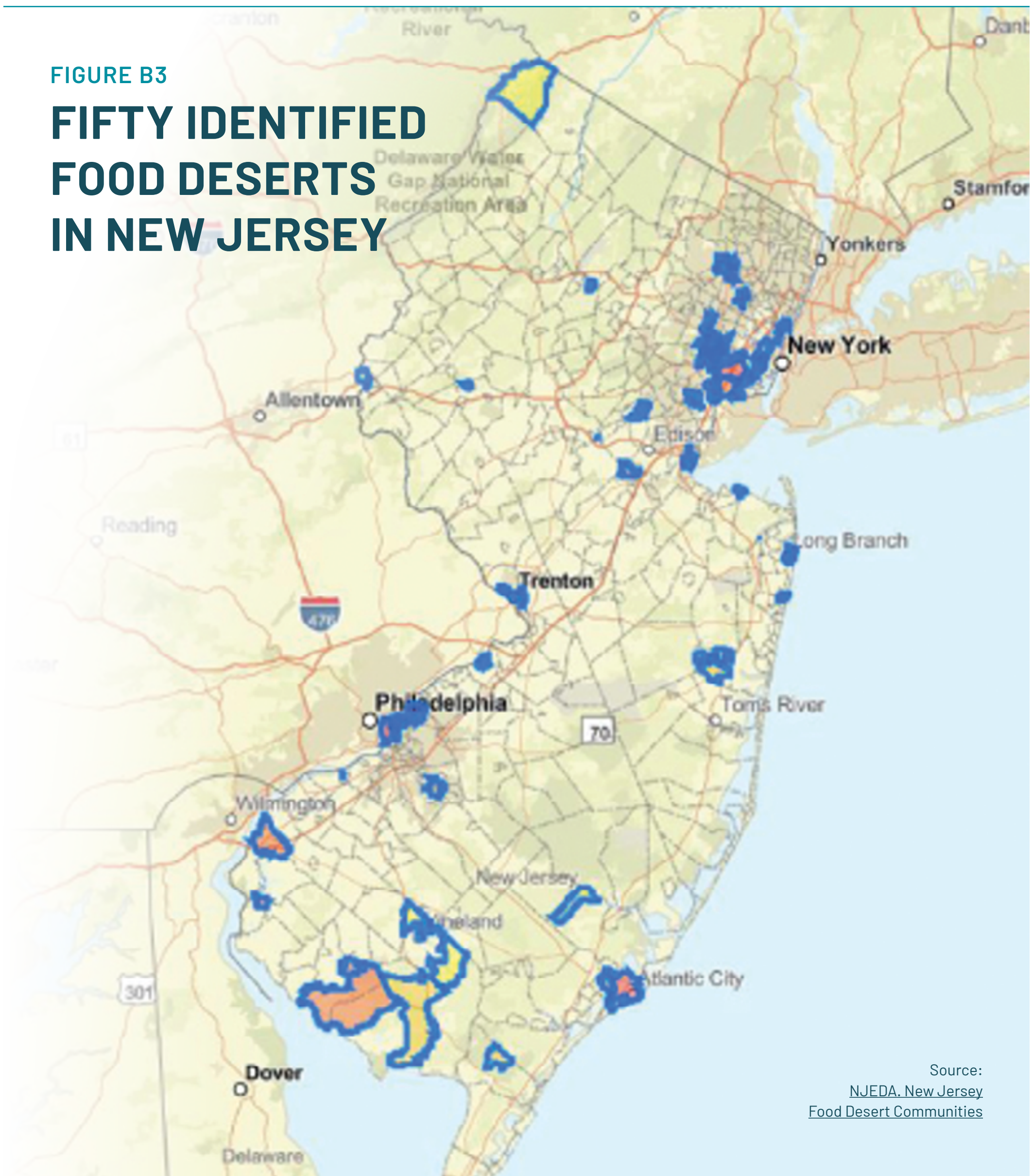
Food insecurity—defined as the lack of consistent access to enough food for every member of a household to live a healthy, active life—is a significant issue in NJ that affects primarily income-constrained communities. NJEDA estimates that food insecurity currently affects approximately 1.5m New Jerseyans. The state is also home to fifty **food deserts, areas where people lack access to nearby grocery stores and supermarkets.** Not surprisingly, most food deserts are found in income-constrained communities.

The issue of food insecurity is widespread across the state but tends to be more prevalent in South Jersey as well as the Newark’s Metropolitan area (see Figure B3).

Camden City, Atlantic City, Newark, and Salem lead the list of cities facing the most food insecurity in the state. Distance is the biggest driver of food insecurity for cities in South Jersey and in rural parts of the state, as people must travel farther to access healthy foods. At the same time, food deserts also exist in wealthier, more urban regions of the state, dispelling the perception that food insecurity is a localized issue of less urbanized places.

FIGURE B3

FIFTY IDENTIFIED FOOD DESERTS IN NEW JERSEY



Source: NJEDA, New Jersey Food Desert Communities

KEY HIGHLIGHTS

- **Food deserts are significantly underserved by the state's existing lending institutions.** This is because CDFIs and credit unions lack capacity and resources to cover less densely populated areas where most food deserts exist.
- **Food insecurity should be addressed through system-wide approaches.** As previously discussed, food insecurity is driven by a plurality of factors like income, access to transportation, etc. Impact investors and other stakeholders we interviewed pointed to the need to move away from one-off interventions in the sector (e.g., improving access to healthy food at retail stores) and towards system-wide interventions that can create more equitable food systems for all. This entails reframing food access as a pathway towards economic development and food sovereignty, not just as a means of getting healthy food in the hands of communities.
- **Significant barriers remain, however, to achieving system-wide impact.** To achieve lasting, systemic change in NJ's food sector, the consensus is that large, coordinated interventions will be required at the regional level, as well as across the entire food chain—production, aggregation, delivery, etc. This will require substantial investments in regional accessibility, transportation, and e-commerce.
- **Food hubs could be leveraged to help close the food access gap for income-constrained communities.** Food hubs are centrally located facilities that facilitate the aggregation, storage, processing, distribution, and marketing of locally and regionally produced food products. They are sometimes co-located with medical and social services facilities, thus addressing multiple population needs. There are a handful of food hubs in NJ, often run by nonprofits. Interviewees indicated many food hubs in NJ are vastly undercapitalized, making them good candidates for impact investments. However, interviewees signaled that many food hub organizations tend to be risk-averse, which has historically precluded them from leveraging investments in ways that could help them scale their impact in the community.
- **Impact investing can help to catalyze, scale, and sustain food sector interventions.** Impact investing can be deployed to help address food access issues and help catalyze public support. Specifically, interviewees indicated the need for impact investment capital in:
  - Supporting food entrepreneurs and the creation of new grocery stores and food cooperatives via direct investments.

  - » Supporting enterprises led by women and people of color who comprise the vast majority of small food retailers in NJ. For many communities of color, particularly those with large immigrant populations, the food sector represents a critical engine of job creation and wealth-building.
  - » Catalyzing pools of patient, flexible capital for food-oriented investments via community-owned and community-led vehicles.
  - » Providing catalytic capital to nonprofits to support expansion of food hubs and food banks.

- **Food security is a priority for NJ's current Administration, which is expected re-energize the sector.** NJ has committed significant financial and non-financial resources to address food insecurity in the state. This includes $40m/year in tax credits, loans, grants, and technical assistance (TA) through the state's Food Desert Relief Program administered by NJEDA. Interviewees view this commitment to combatting food insecurity as highly conducive to public-private partnerships, as tax credits and subsidies are anticipated to lead to substantial new private investments. This presents a unique opportunity for impact investors to seed/catalyze new food-oriented projects that can benefit from the anticipated flow of public and private dollars to the sector.
- **There are multiple place-based efforts emerging in the food sector.** Our research uncovered a handful of organizations seeking to address food insecurity for income-constrained communities in NJ. One such initiative nearing investment readiness is the Camden Food Fund, a community-led initiative incubated at the Community Foundation of South Jersey that seeks to provide integrated capital and TA to food entrepreneurs helping to build a stronger, equitable, and more resilient local ecosystem in the Camden region.

PROFILE: SMALL BUSINESS

Small businesses are a critical source of job creation and engine of economic growth for local economies. Unfortunately, business ownership and access to capital are not equitably distributed in New Jersey, exacerbating existing racial wealth gaps across the state.

OVERVIEW

New Jersey has a vibrant small business ecosystem, with small businesses—those with fewer than 500 employees—representing over 99.6% of NJ's total businesses.[49] These businesses represent a significant source of job creation and retention and employ ~1.9m people—almost half of the state's entire workforce. In some counties like Ocean, Cape May, and Passaic, small businesses represent the primary source of employment (see Figure B4).

Despite their critical role in driving job creation and retention, small business ownership in New Jersey remains heavily concentrated among White men, with women and people of color accounting for only ~40% and ~22% of all small businesses, respectively. Even so, small businesses owned by women and people of color in New Jersey experience unequal access to credit and resources to grow their businesses.

These racial disparities became evident during the COVID-19 pandemic. According to a recent report by the Federal Reserve Bank of Philadelphia,[50] small businesses owned by people of color in NJ were less likely to apply for and receive many forms of emergency financing in the wake of the COVID-19 crisis. They were also less likely to receive forgiveness on PPP loans, and more likely to use personal funds to address financial challenges imposed by the COVID-19 economic slowdown. While many of these small businesses benefited from pandemic-related emergency funding, as these resources are discontinued many businesses have turned to more traditional financing options, which remain scarce.

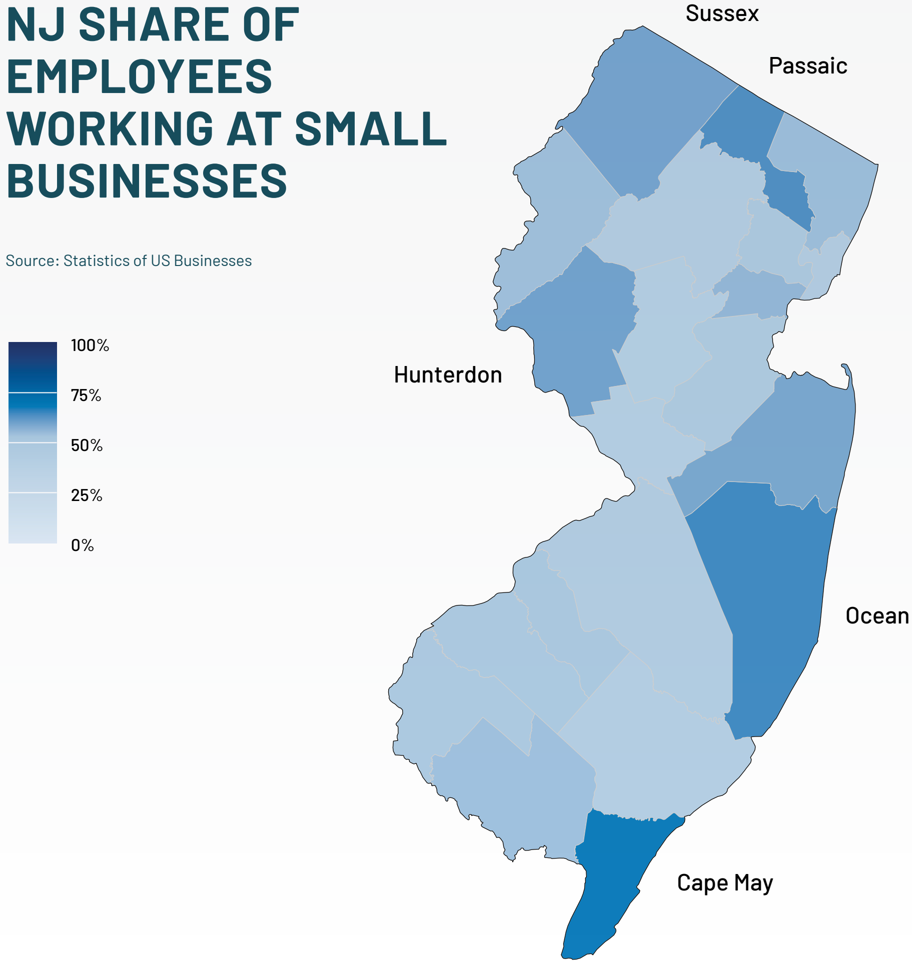
[49] There are over 937k small businesses in NJ. Source: 2021 SBA New Jersey Small Business Profile.

[50] Federal Reserve Bank of Philadelphia's 2022 Small Business Credit Survey. A Racially Disparate Recovery in New Jersey.

FIGURE B4

NJ SHARE OF EMPLOYEES WORKING AT SMALL BUSINESSES

Source: Statistics of US Businesses



KEY HIGHLIGHTS

- **Small businesses owned by women and people of color face several barriers when accessing capital to grow.** There is a consistent lack of access to capital for small businesses owned by women and people of color in NJ. This finding is consistent with systemic patterns of racially unequal access to capital experienced by women and people of color nationwide. Main drivers of lack of access to credit include risk-aversion, lack of awareness, and lack of resources to pursue other financing options (see Figure B5).

FIGURE B5

BARRIERS TO ACCESSING CREDIT FOR SMALL BUSINESSES

KEY BARRIER	DESCRIPTION
DEBT AVERSION / RISK PERCEPTION	Small businesses owned by people of color often cite doubts and discouragement as main barriers to accessing credit—they believe they will be turned down. Instead, they are more likely to use personal funds to meet their financial needs. Interviewees we spoke with also cited the lack of trust in financial institutions, which has historically been eroded through redlining as well as unfair mortgage and appraisal practices, etc.
LACK OF INFORMATION AND ACCESS TO TECHNOLOGY	Small businesses often cite the lack of awareness of capital sources and related resources as another key barrier to accessing credit and government-backed programs. This is partially driven by lack of access to technology and the knowledge in accessing these programs, many of which rely on online application portals.
LACK OF COLLATERAL AND OTHER RESOURCES	Firms owned by people of color tend to be disproportionately owned by women and immigrants. These firms tend to have smaller cash reserves, personal reserves, and fewer assets that can be pledged as collateral. Additionally, entrepreneurs of color often lack the financial backing of "friends and family" commonly available to their White counterparts.
OTHER BARRIERS TO ENTRY TO TRADITIONAL LENDERS	Over one third of NJ small businesses tend to use small banks when seeking a loan, line of credit, or cash advance. Among these users, firms owned by people of color were more likely to cite difficult application processes as a barrier to accessing credit, along with high interest rates. This finding suggests that racial factors continue to pose a challenge for diverse business owners trying to navigate the financial system.
LACK OF TRANSPARENCY IN PUBLIC SOURCES OF FUNDING	Several interviewees cited the siloed nature of NJ public agencies as a key hurdle to overcome when looking to access credit and financial assistance. There is a perception that public agencies could improve transparency when launching new products, both in terms of better clarity around the type of products being offered (grants, debt, etc.) and the availability of information in multiple languages.

PROFILE: LENDING INFRASTRUCTURE

New Jersey has a robust lending infrastructure targeting historically marginalized communities, but gaps remain to ensure it serves the most hard-to-reach areas.

OVERVIEW

New Jersey is home to over a dozen of Community Development Financial Institutions (CDFIs) and credit unions that provide financial products and services to communities lacking access to traditional financial institutions, particularly in income-constrained and historically marginalized communities. The state is also home to many Community Development Corporations (CDCs) working to promote economic development in historically marginalized regions. According to the Housing and Community Development Network of New Jersey, there are over 250 CDCs in the state representing a $500m/year economic engine.[51] Despite their important role as vital players in the NJ's economy, particularly for low- and moderate-income people, gaps remain in how income-constrained communities are accessing these resources as well as how financial intermediaries are reaching the most marginalized areas.

KEY HIGHLIGHTS

- **CDFIs and credit unions remain a critical yet an underutilized part of the financial ecosystem in NJ.** Only a small percentage of small businesses in NJ bank with alternative financial institutions such as CDFIs and credit unions. While further research is required to better understand why small businesses are not fully leveraging this important source of capital, interviewees point to several potential barriers, including:
    - » *Insufficient reach.* Many small businesses in New Jersey are in parts of the state outside CDFIs' footprint. This is because CDFIs tend to be more active in urban areas where they can raise place-based capital and more efficiently target populous urban centers. Most CDFIs lack sufficient reach in more rural parts of the state.
    - » *Lack of differentiation.* CDFIs in NJ appear to offer products on terms that are not substantially better than what more traditional banks would offer. As a result, they are not viewed as a more favorable option by many small businesses.

[51] Housing and Community Development Network of New Jersey report: Stronger Together. The $12bn Impact of Community Development Corporations in New Jersey.

   » *Capacity constraints.* Many CDFIs in NJ appear to be under-resourced, which further limits their ability to reach rural regions of the state.

- **NJ has an active CDC ecosystem that can be leveraged towards channeling more capital to income-constrained communities.** According to a recent report by the NJ Housing and Community Development Network of NJ (a statewide association of more than 250 CDCs), NJ CDCs represent a $500m/year industry for the state.[52] Over the past 25 years, investments led by CDCs in NJ resulted in 82,000 new jobs and the creation or rehabilitation of over 21,000 units of affordable homes. Despite their substantial impact, interviewees pointed to the need to further support CDCs in achieving scale. Many CDCs in NJ are understaffed, undercapitalized, and lack the capacity to take on large-scale projects in critical areas such as affordable housing.

- **A sizable portion of NJ's CDC ecosystem favors North Jersey.** Interviewees also pointed out that some of the largest CDCs in the state tend to focus more heavily on North Jersey, particularly in Newark vs. South Jersey and more rural parts of the state. Other limitations identified included (i) the heavy focus of some CDCs on community organizing vs. attracting and deploying capital; (ii) CDCs' strong focus on very specific products (e.g., SBA loans) vs. offering a wider range of financial products that more fully meet community needs, and (iii) the exclusive focus of some CDCs in a particular sector (e.g., affordable housing) vs. a wider focus across community needs.

- **Lack of access to credit by income-constrained communities has been exacerbated by a recent wave of bank closures and consolidation.** According to the Federal Reserve Bank of Philadelphia, NJ saw the number of its bank branches shrink by ~10% over the past three years.[53] Driving factors included consolidation trends in the banking industry, the rise of online banking, and pandemic-related shifts in consumer preferences, all of which have led to decreased demand for in-person banking and the need for physical branches. This has resulted in the creation of more "banking deserts"– neighborhoods with no or very few bank branches nearby. Interviewees we spoke with indicated this issue has had a disproportionate impact on income-constrained communities, forcing historically marginalized communities to rely more heavily on more expensive and often predatory lenders as alternatives.

- **Momentum exists for a statewide public bank that would seek to support small business lending.** NJ is currently exploring the feasibility of launching a Public

[52] Housing and Community Development Network of New Jersey report: Stronger Together. The $12 Billon Impact of Community Development Corporations in New Jersey.

[53] Federal Reserve Bank of Philadelphia. Bank Branch Closures and Banking Deserts in the Third Federal Reserve District States.

Bank that would be used to channel capital to areas of critical need, including affordable housing, small business lending, student lending, and municipal infrastructure and financing. In the short term, the State has launched its Social Impact Investment Fund, a proof-of-concept approach that will seek to demonstrate the benefits of a Public Bank and build consensus among stakeholders. The Social Impact Investment Fund, seeded in June 2023 with a $20m appropriation, intends to pool public, private, and philanthropic capital to target communities of need and fill gaps where traditional financing has failed to act.

- **NJ received a $255 million State Small Business Credit Initiative (SSBCI) allocation, which can be leveraged to reduce gaps in access to credit for income-constrained residents.** NJ's SSBCI allocation represents an unprecedented opportunity for the state to improve credit availability, affordability, and banking relationships for small businesses owned by women and people of color in the state. Impact investors should explore opportunities to deploy impact investment capital in ways that leverage the state's SSBCI initiative and lead to a more vibrant equitable NJ small business ecosystem.

PROFILE: TRANSPORTATION ACCESS NEEDS

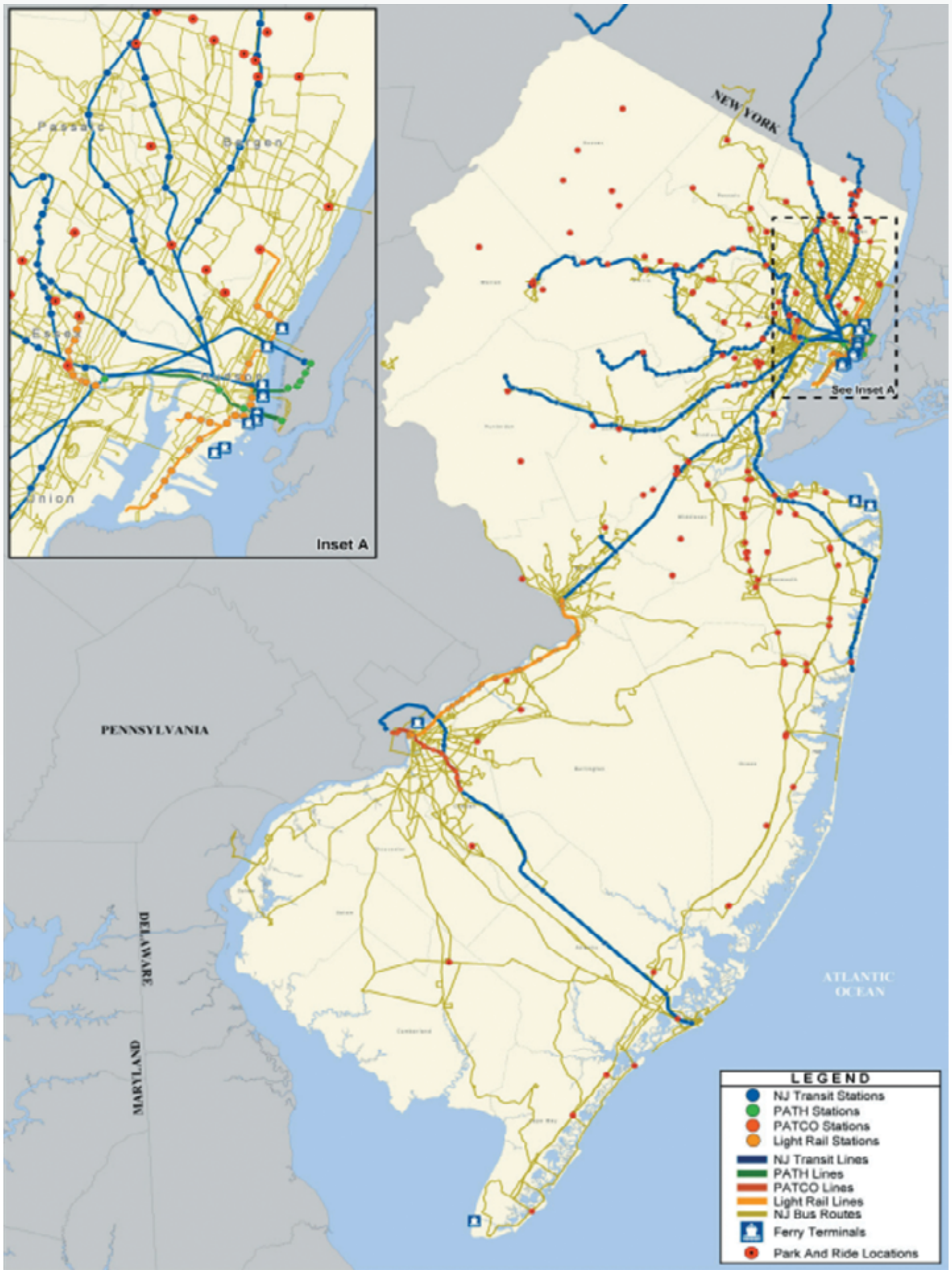
Additional investments are necessary to better connect people throughout the state to jobs and economic development opportunities. This is a critical need, as it has been shown that lack of access to safe, reliable transportation has detrimental impacts on employment, income, and health outcomes for communities.

OVERVIEW

NJ is home to one of the largest public transportation systems in the country, with over 4m workers relying on the state's roadway, transit, and freight network to meet their transportation needs. This includes NJ Transit, the public entity that operates NJ's network of light rail, commuter rail and bus systems, and Amtrak, operator of intercity rail. However, the state's proximity to New York City and Philadelphia, two of the most populous cities on the East Coast, has resulted in the development of a disproportionate number of communities clustered around the state's major freeways, particularly the I-95 corridor (see Figure B6). Beyond this major corridor, NJ's transportation network is underdeveloped. This creates significant challenges for many residents in suburban and rural areas of the state who currently lack access to safe and reliable means of transportation. Unsurprisingly, many of these communities are also income-constrained and historically marginalized.

FIGURE B6

NJ PUBLIC TRANSPORTATION SYSTEM IS CENTERED ON TRANSPORTATION TO NEW YORK CITY AND PHILADELPHIA



Source: NJ Department Of Transportation. Assessing New Jersey's Transportation System report.

KEY HIGHLIGHTS

- **Public transportation in NJ was built to connect major hubs but regions outside those hubs remain underserved.** While NJ has made substantial investments in light rail to connect people within the state, many regions remain vastly underserved. Interviewees cited a clear need for expanding existing lines to connect more cities. This includes strategic expansions that connect major metropolitan hubs in the region while unlocking access to public transit to previously underserved regions (e.g., a NYC to Scranton, PA expansion that connects Morris and Sussex County, NJ).

- **Closing the transportation access gap requires a systems-wide lens that also considers housing and food access issues for income-constrained communities.** Interviewees highlighted the need for multi-sector approaches that can deliver solutions across transportation, housing, and food access. Examples include the need for more bus lines connecting residents to food stores, increasing shuttle services connecting residents to their workplaces or mass transit points—also known as last-mile solutions—and improved online delivery options for people on SNAP Programs.

- **Impact investments can provide catalytic support to historically marginalized communities in accessing innovative solutions in transportation.** There is wide consensus that impact investments alone will not fix access gaps in public transportation for income-constrained communities. However, impact investors can play a critical role in providing catalytic capital to marginalized communities. Concrete opportunities for leveraging integrated capital in the transportation sector include:

    » Funding community-led studies that help to demonstrate the benefits of public infrastructure projects. This can help to demystify perceptions that public transportation projects are detrimental to property values.

    » Support regional planning organizations that help local communities access state and federal dollars for new local transportation projects.

    » Support CDFIs, credit unions and other intermediary lenders in providing capital to income-constrained, historically marginalized communities that leverages Federal funding for clean energy access in transportation.

APPENDIX C:

NEW JERSEY IMPACT INVESTING PIPELINE

OVERVIEW

There is strong demand for catalytic capital in NJ that can help to (i) de-risk investments for more traditional investors and (ii) attract capital to income-constrained and historically marginalized communities across stakeholder-identified priority sectors (see Figure C1 for diverse types of capital and/or vehicles most needed by income-constrained communities).

Despite the strong demand, impact investing remains a nascent field in NJ and there is still a heavy reliance on grants as the primary capital mechanism to address social, economic, and racial inequities in the state. However, while grants play an important role in the capital continuum, they are limited in their ability to be recycled for long-term, sustainable impact.

FIGURE C1

STAKEHOLDER-IDENTIFIED PRIORITY SECTORS

HOUSING

FLEXIBLE FUNDING FOR DEVELOPERS OF COLOR

PRE-DEVELOPMENT AND ACQUISITION FUNDING

GUARANTEES FOR AFFORDABLE HOUSING DEVELOPERS

SMALL MORTGAGE / HOME OWNERSHIP FUNDING

LAND TRUSTS / LAND BANKING FUNDING

FOOD

FOOD COOPERATIVE FUNDING

FLEXIBLE FUNDING FOR FOOD ENTREPRENEURS

SMALL BUSINESS LENDING

FLEXIBLE, PATIENT CAPITAL PAIRED WITH TA

INSTITUTIONAL PROCUREMENT FUNDING

CDFI POOLED LOAN FUND

Impact investors are best positioned to fill this gap by directing resources to help build the state's impact investing ecosystem. This includes seeding and/or anchoring local, regional and/or national initiatives—ideally in collaboration with other mission-aligned investors and stakeholders—that can help to accelerate deployment of impact investment capital and close existing capital flow gaps in income-constrained and historically marginalized communities. A preliminary deal pipeline is presented in Figure C2.

FIGURE C2

NEW JERSEY IMPACT INVESTMENT PRELIMINARY PIPELINE

APPROACHING INVESTMENT READINESS

OPPORTUNITY TYPE/NAME	DESCRIPTION	SECTOR	INVESTMENT TYPE	COVERAGE
NJ Social Impact Investment Fund	Public-Private Impact-focused fund launched by the State targeting affordable housing, small business, student loans, and municipal infrastructure.	Multi-Sector	Fund	Statewide
New Jersey FAM Fund	$100m statewide initiative to provide flexible financing to developers of color and business owners.	Housing Small Business	Fund	Regional
Camden Food Fund	Fund focused on strengthening the food system in Camden City and the region.	Food	Fund	Local

FIGURE C2

NEW JERSEY IMPACT INVESTMENT PRELIMINARY PIPELINE

INVESTMENT IDEAS SURFACED BY STAKEHOLDERS

OPPORTUNITY TYPE/NAME	DESCRIPTION	SECTOR	INVESTMENT TYPE	COVERAGE
First Loss Mortgage Guarantee	Potential guarantee pool to facilitate mortgage financing for low- to moderate-income families.	Housing	Guarantee	Statewide Regional Local
Small Dollar Mortgage Fund	Potential fund capitalizing small-dollar mortgages for families who are renting but could afford mortgages to purchase affordable homes.	Housing	Fund	Statewide Regional Local
Housing Acquisition Fund	Potential fund to rapidly acquire vacant homes to hold for eventual community-based organizations to purchase, rehab, and resell to low- to moderate-income families.	Housing	Fund	Statewide Regional Local
Community Land Trust	Potential entity that will acquire and own land and build affordable homes to be leased or owned by low- to moderate-income families.	Housing	Loan / Equity	Regional Local
Land Bank	Potential entity that will acquire, manage, maintain, and repurpose vacant, abandoned, or foreclosed properties.	Housing	Loan / Equity	Regional Local
Food Cooperative	Potential food cooperative to increase access to healthy, natural foods with the opportunity for community sharing of profits.	Food	Loan / Equity	Local
Small Business Procurement Loan Fund	Potential fund paired with minority supplier mentorship program to meet institutional purchasing orders from local corporations.	Small Business	Fund	Regional
CDFI Capacity Building Cohort and Pooled Loan Fund	Technical assistance to scale CDFIs' footprint statewide and multi-investor pooled loan fund to access affordable lending capital.	Small Business	Fund	Statewide

APPENDIX D:

MODELS OF COLLABORATIVE IMPACT INVESTING

Several collaborative, place-based impact investment models exist across the country that could be replicated in NJ to strengthen the state's growing impact investing ecosystem and accelerate the deployment of impact investment capital. While the Urban Institute reports that the US has a strong collaborative landscape and growing impact investing ecosystem, no formal collaborative yet exists in NJ. Impact investors are well positioned to anchor such an impact investment collaborative in the state.

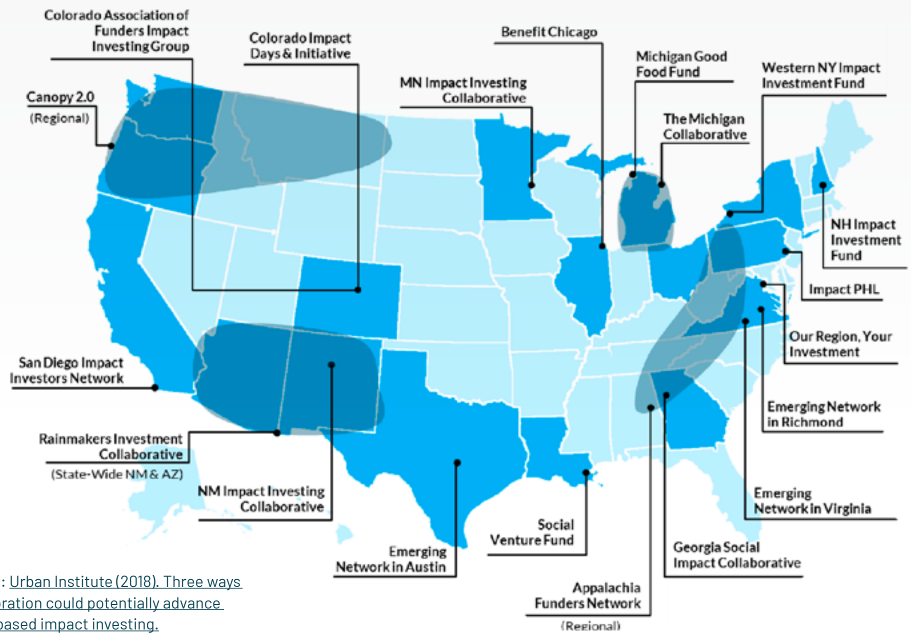
COLLABORATIVES OVERVIEW

There are several initiatives around the US currently deploying impact investing capital collaboratively. The vast majority do so within a specific geographic region and as a result, they are often known as place-based impact investing (PBII) collaboratives. PBII collaboratives can take a variety of forms, including networks, consortia, alliances, and platforms (see Figures D1 and D2). Additionally, each tends to have its unique business model and a service offering depending on the profile of its members and the goals of the collaborative. These may include opportunities for networking, sharing of information, or co-investing. Despite their differences, most collaboratives share similar traits, including:

- **Impact focus.** Most collaboratives are comprised of mission-aligned funders and investors who come together to leverage each other's strengths to maximize impact.
- **Backoffice.** Many collaboratives are housed within a state or region's association of grantmakers or other nonprofit organization, like a community foundation, that provides its members with visibility, fiscal sponsorship, and back-office support. However, other structures are also feasible.
- **Scalability.** Collaboratives tend to require a substantial amount of effort from member organizations and the development of a sustainable business model. In fact, many collaboratives have failed over time because of their inability to recruit enough new members at the pace needed to cover the infrastructure costs necessary to grow to a sustainable scale.

FIGURE D1

IMPACT INVESTMENT COLLABORATIVE LANDSCAPE IN THE US



Source: Urban Institute (2018). Three ways collaboration could potentially advance place-based impact investing.

FIGURE D2

TYPES OF COLLABORATIVES

CATEGORY	DESCRIPTION	EXAMPLES	COMMENTS
Networks	Place-based, membership-based organizations whose primary goal is the exchange of information for the mutual benefit of its members.	• Appalachia Funders Network • Georgia Social Impact Collaborative • San Diego Impact Investors Network	These networks tend to be primarily focused on learning and peer-to-peer exploration, and therefore do not facilitate co-investment opportunities.
Consortia	Place-based initiatives coming together to share information and collaborate on joint services to create efficiencies, enhance capacities, and reduce costs, including shared due diligence.	• New Mexico Impact Investing Collaborative (NMIIC) • Canopy 2.0 • Rainmakers Investment Collaborative • ImpactPHL	A distinctive element of these initiatives is the fact that while investment coordination is facilitated by the collaborative, investment decisions take place separately within each member institution.
Alliances	Place-based groups formed to deploy capital together through a fund or to pool resources for direct investments.	• The Western NY Impact Investment Fund • The Impact Investment Fund at the New Hampshire Charitable Foundation	Alliances often involve the creation of a common fund, which is often for the benefit of a specific region.
Platforms	Place-based alliances designed to connect impact investors from the community to social ventures and funds.	• Benefit Chicago • Minnesota Impact Investing Initiative (MI3) • Michigan Collaborative	These collaboratives are usually anchored by a core group of organizations to make local investing available at scale.

In addition to PBII collaboratives, there are also several organizations in the US serving as avenues for convening and knowledge-sharing on impact investing. These include GIIN, Mission Investors Exchange, TONIIC, and Confluence Philanthropy, among others.

INSIGHTS & PERSPECTIVES

- **There are currently no place-based collaborative models in NJ** despite the presence of several actors currently active and deploying integrated impact investing capital across the state (see Figure D3).
- **Several barriers currently stand in the way of efficient collaboration** among the state's impact investors despite strong interest among NJ capital providers to deploy impact investments. These include:
    - » A general sentiment among investors that while several organizations are currently deploying impact investment capital, most are doing so on an individual basis.
    - » The lack of a funders' collaborative that can help impact investors in NJ leverage each other's efforts. There is a perception that too many efforts are being put towards addressing similar issues but with little to no coordination; and
    - » A perceived mismatch between what impact investors are able to do with their impact investment dollars and what the community needs. For example, the need for longer-term capital to address housing sector needs.
- **Impact investors are well positioned to catalyze an impact investing collaborative in New Jersey.** An impact investing collaborative can further mobilize the emerging yet nascent impact investing ecosystem in the state by serving as a convening and coordination point among impact investors for capital deployment to priority sectors identified in this report. Furthermore, any collaborative should have a statewide mandate and bring together cross-sector stakeholders to coalesce around statewide, regional, and local issues affecting income-constrained and historically marginalized communities.

FIGURE D3

NEW JERSEY'S IMPACT INVESTING ECOSYSTEM

CAPITAL PROVIDERS

FUNDERS

Robert Wood Johnson Foundation
Prudential Foundation
Community Foundation of NJ
FM Kirby Foundation
The Jewish Community
Foundation of Greater
MetroWest NJ
Merck Company Foundation
Fund for New Jersey
Johnson & Johnson Foundation

BANKS

OceanFirst Bank
Valley National Bank
Lakeland Bank
Columbia Bank
ConnectOne Bank
Cross River Bank
Kearny Bank
Peapack-Gladstone Bank
Spenser Savings Bank
Provident Bank

ASSET MANAGERS

INTERMEDIARIES

1ST Bergen FCU
Community Loan Fund of NJ
Cooperative Bus Assistance Corp
Financial Resources FCU
Greater Newark Ent Corp
New Community FCU
Newark BOE Employees CU
North Jersey FCU
Ripple Effect Entrepreneurs Fund
Trenton Business Assistance Corp
Union County EDC

FUNDS

NJ Redevelopment Inv Fund
NJ Innovation Evergreen Fund
NJ FAM Fund
Ellavoz Shared Values Opp Fund
Fair Food Fund
National Housing Trust Fund

VC

Edison Partners
Newark Venture Partners
Tech Council Ventures
SOSV
Verizon Ventures
J&J Innovation
Energy Capital Partners
2048 Ventures
Foundation VC Group

ECOSYSTEM ENABLERS

ANCHOR INST

RWJ Barnabas Health
Rutgers U
NJ Institute of Tech
Princeton U
Stevens Institute of Tech
Morristown Medical
Cooper U Hospital
St Joseph's U Medical
Englewood Health
Hackensack Meridian Health
U Hospital

NETWORS & TRADES

NJ Council for Grantmakers
Mission Investors Exchange
The Global Impact Investing Network
Toniic

PUBLIC AGENCIES

NJ Economic Development Authority
NJ Dept of Human Services
NJ Dept of Community Affairs
NJ Redevelopment Authority
NJ Dept of Health
NJ Schools Development Authority
NJ Dept of Children & Family

ACCELERATORS

TechLaunch
DigitalUndivided
Keller Center's eLab
Future of Work Accelerator
FF Ventures
NJ Innovation Institute
Juice Tank
The Black and Latino Initiative

APPENDIX E:

ORGANIZATIONS INTERVIEWED

Center for Community Progress

Community Foundation of South Jersey

Community Loan Fund of New Jersey, Inc. (NJ Community Capital)

Corporation for Supportive Housing

Dodge Foundation

Fair Share Housing Center

Greater Newark LISC

Housing and Community Development Network of NJ

Independent Consultant

Innovative Housing Strategies

Monarch Housing Associates

New Jersey FAM Fund

Newark Alliance

Next Street

NJ Citizen Action

NJ Department of Community Affairs

NJ Economic Development Authority

NJ Governor's Office - Social Impact Investment Fund

NJ Housing Mortgage Finance Agency

NJ Institute of Social Justice

NJ Policy Perspective

Nonprofit Finance Fund

Norwescap

Potlikker Capital

Princeton Area Community Foundation

Prudential Group Investment Management

Robert Wood Johnson Foundation

Rutgers Business School

Victoria Foundation

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