



INVESTMENT SPOTLIGHT

# ReBUILD Metro Johnston Square Impact Notes

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## Investment Spotlight

# ReBUILD Metro Johnston Square Impact Notes

The ReBUILD Metro Johnston Square Impact Notes are an off-the-shelf note product supporting mass redevelopment activities in a redlined, Black-majority Baltimore neighborhood. The notes enabled participation from BCF donors and saw BCF's institutional investment leveraged and multiplied tenfold.



*MIE-hosted content and events are educational. Although investments may be discussed and presented, such investments are not endorsed by MIE in any way*

# RECAP

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The Baltimore Community Foundation and its donors invested \$1.1MM in ReBUILD Metro's Johnston Square Impact Note product to support the redevelopment and revitalization of the Johnston Square neighborhood.

## The Need

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Johnston Square is a majority Black neighborhood at the heart of East Baltimore. Discriminatory lending practices led to disinvestment in the neighborhood for more than half a century. Today, the built environment has been hollowed out by chronic vacancy and economic stagnation.

## The Impact

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This program will stabilize the Johnston Square community by reducing vacant properties by 90% and total residential properties by 20%. In turn, the resident population will increase by 20% and home values will increase to replacement value, all while minimizing the displacement of legacy residents.

## The Opportunity

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The Rebuild Johnston Square Neighborhood Organization developed a neighborhood master plan with the city and other partners. The plan attracted private community investment and was pivotal in convincing the city to sign over site control of all abandoned properties to ReBUILD Metro.



“ There was no investment in Johnston Square, it was a redlined neighborhood. Nothing was happening here, but now we have been able to get some investment. We will be able to achieve our goal of having one of the best neighborhoods in Baltimore City. ”

**REGINA HAMMOND**

REBUILD JOHNSON SQUARE NEIGHBORHOOD  
ORGANIZATION

# WHO

Indicators from 2020 of a spiraling community in Johnston Square:

- 656 vacant lots and homes
- 37.2% decline in school enrollment
- Average home values of \$49,121 (less than cost of replacement)

## About ReBUILD Metro

Established initially as TRF Development Partners in 2002, ReBUILD Metro has been systemically revitalizing neighborhoods in East Baltimore by managing housing stock to attract an income-diverse population, driving neighborhood economic development, and converting blight into diverse community amenities. Localized impacts in legacy communities include 429 homes created or redeveloped, 120 vacant lots converted to maintained greenspace, 87% reduction in residential vacancies, 30% rise in population, and 109% increase in median income.

## Geography

East Baltimore neighborhoods - Johnston Square, Greenmount West, Oliver / Broadway East

## Sectors & SDGs

Community + Economic Development, Housing



# WHAT

BCF made a \$100K lead investment which led to \$1MM in co-investments from the BCF donor network

- 2.0% Return
- 10-year term, with option for 5-year extension
- Unsecured and subordinate

## Total Investment

# \$1.1MM MRI

INVESTOR	SIZE	TYPE	POOL	DURATION
BCF Institutional Investment	\$100K	Debt	MRI	2020-2030
BCF Donor Co-Investors	\$1MM	Debt	MRI	2020-2030

## Target Return

# 2.0%

## Investment Structure

The note is for a 10-year term with an annual interest rate of 2%. The notes are unsecured and subordinate to all other ReBUILD Metro expenses and applicable reinvestments, which allows ReBUILD to attract and leverage larger notes from other foundations and investors.

This deal was brought to our attention by BCF longtime donors who were excited about the project and saw an important role for BCF. They kept asking, "How can we do this through BCF?" We already had ways for donors to contribute to our pool, but we were pushed to think bigger and differently about co-investing. Our team worked for well over a year to develop a new DAF product specifically for impact investing that would allow fundholders to co-invest alongside BCF. Donors make a tax-deductible donation to a special DAF to which the principal and any proceeds are committed. Upon maturity, they can reinvest in a new project or direct the funds to grantmaking, multiplying the impact of their capital and participating on a different level of philanthropy.

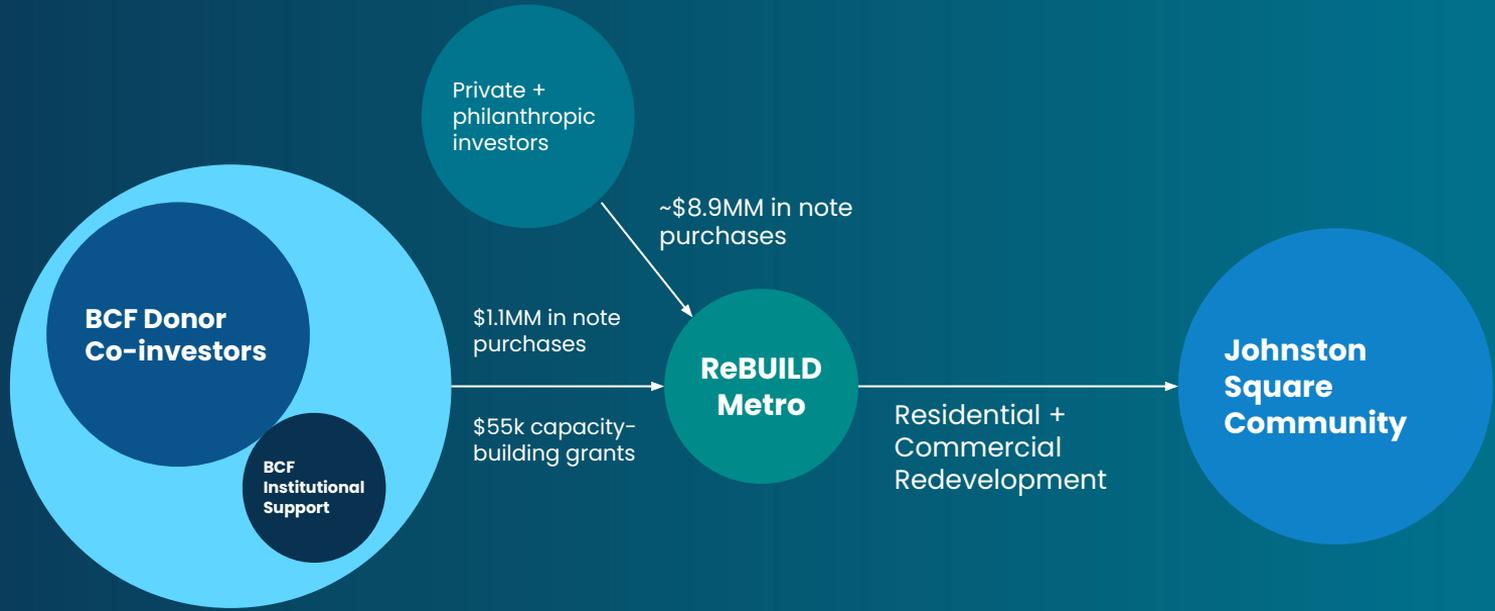


“ Baltimore Community Foundation has fully embraced our vision of rebuilding East Baltimore into a community of opportunity, and by generating a number of impact investments into our work, they are helping us make this vision into a reality. We are grateful not only for their financial support, but for sharing our cause with those who believe in a better future for Baltimore. ”

**SEAN CLOSKY**  
REBUILD METRO

# HOW

The nature of stakeholders



The Baltimore Community Foundation, a public foundation serving Baltimore City and Baltimore County, MD.

A community development and rental housing management organization primarily serving East Baltimore.

The thousands of current and prospective residents who call the Johnston Square neighborhood their home.

## IMPACT & MEASUREMENT



**60** units of housing were complete as of 2021

**20K** square feet of living space was complete as of 2021

In addition to completed projects, predevelopment activities were underway to rapidly scale up the renovation of single-family scattered site home stock for rent and mixed salary level ownership beginning in 2022.

The primary vector for measurement is housing output: number of units and square footage. This allows an apples-to-apples comparison with other investments in BCF's portfolio. Additionally, we collect qualitative data on non-housing work in economic and community amenity development to give our donors a full picture of ReBUILD Metro's work in Johnston Square.

In the long-term, BCF will be watching vacancy rates, median home values, resident population, and permit activity to see if the effort has halted and reversed the neighborhood's negative feedback loop.

# INSIGHTS



It took taking a different perspective on risk to get us over the finish line—asking ourselves, “What is the cost to the community we serve if we *don't* participate?”

## Lessons Learned

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- **Flexibility was key.** Our prospect financial assessment templates were built to assess relenders, not affordable housing developers. Our donor-advised fund co-investing product did not exist prior to this deal. If we weren't open as a staff to developing and revising our tools, this deal and its impact would have never happened.
- **Our comfort zone was too narrow.** This deal had a longer term than any we'd worked on before and the repayment method was less predictable. It took taking a different perspective on risk to get us over the finish line—asking ourselves, “What is the cost to the community we serve if we *don't* participate?”
- **Donors are valuable resources for community foundation impact investing work.** In addition to their financial contribution, donors put this opportunity on our staff radar, and we would not have gotten to a yes without donor advocacy to push the envelope. We must be creative about how donors are engaged and included in this work.

## Advice to Fellow Practitioners

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Embrace an entrepreneurial spirit in your impact investing work. Disrupt your own systems, create new products, and seek new customers relentlessly. As soon as you are comfortable with your program, ask “What more can we do?”



“ Impact investing is not ‘one size fits all’ and foundations need to think creatively to help maximize donor dollar impact and attract the new faces of philanthropy. The investment in ReBUILD required multiple levels of the Baltimore Community Foundation to work together to develop a blended solution which allowed donors to give with the truly exciting potential to give again using those same dollars. ”

**DAVID CLAPP**

BALTIMORE COMMUNITY FOUNDATION TRUSTEE +  
DONOR