



[Inclusive Economy \(https://impactalpha.com/category/themes/inclusive-economy/\)](https://impactalpha.com/category/themes/inclusive-economy/) | November 1, 2018

Boston is a growing hub of global – and local – impact investing



Jessica Pothering

[\(https://impactalpha.com/author/jessica/\)](https://impactalpha.com/author/jessica/)

Charlestown, Boston | Photo credit: Qusai Akoud

When Jessica Brooks started at Boston Community Capital, it was one in a handful of impact investors in Boston. The kind of work the community development financial institution—now called BlueHub Capital—was doing wasn't called impact investing then. That was 17 years ago. "Impact investing" came later.

Led by Elyse Cherry, BlueHub has grown from a financial institution managing \$60 million to one with more than \$1.4 billion on its books. It accomplished that by investing in areas in Boston that mainstream financial institutions had written off as uninvestable: low-income and underserved communities in need of affordable housing and better

jobs. BlueHub's track record has proven that such communities are not only investable, but that betting on their growth is a viable investment strategy.

BlueHub's story is fitting in an American city known for challenging the status quo (Boston Tea Party anyone?) and inventing new ways to connect and engage communities (patents for the telephone and electronic voting machine and, controversially, the algorithm behind Facebook were all made in Boston.) Today, it's just one of Boston's many players proving that there's business to be done and money to be made in serving the greater social good.

"Boston is full of different organizations doing this work. Each of these organizations is finding their niche and carving it up and bringing new capital to the sector," Brooks says from her new perch in Somerville, where she now heads development for Sunwealth, a solar investment firm.

Today's Boston-based impact players run the gamut. There's \$2.8 trillion asset manager State Street Global Advisors, which leverages its shareholder muscle to influence public companies on issues like gender equity. And there's private equity heavyweight Bain Capital, whose nationally-focused [Double Impact group](https://impactalpha.com/what-we-know-about-bain-capitals-390-million-double-impact-fund-8dd4e0c90571/) (<https://impactalpha.com/what-we-know-about-bain-capitals-390-million-double-impact-fund-8dd4e0c90571/>) is headed by former Massachusetts Gov. Deval Patrick.

There's longstanding community foundations, like The Boston Foundation, and new community initiatives, like Ujima Project. There's family offices like Liesel Pritzker Simmons and Ian Simmons' Blue Haven Initiative, which [has committed nearly 100%](https://impactalpha.com/what-we-know-about-bain-capitals-390-million-double-impact-fund-8dd4e0c90571/) (<https://impactalpha.com/what-we-know-about-bain-capitals-390-million-double-impact-fund-8dd4e0c90571/>)

[com/the-500-million-blue-haven-initiative-unplugged-podcast-4e0808d43eca/](https://www.impactalpha.com/podcast/the-500-million-blue-haven-initiative-unplugged-podcast-4e0808d43eca/)) of its more than \$500 million assets to impact. The Boston Impact Initiative focuses on local economic justice.

There are creative investment facilitators, like Social Finance, which has helped kickstart new social programs through pay-for-success programs and “social impact bonds,” (<https://impactalpha.com/is-the-social-impact-bond-market-half-billion-full-or-empty-9c3b7421c6a7/>) where private investors front the costs, and remuneration from the public is dependent on outcomes. One such “SIB” focuses on refugee workforce development in Boston.

There are universities building the next generation of social entrepreneurs, like Harvard Business School, and bringing inventive minds together, like Solve at MIT. Last month, Total Impact made Boston a stop on its new impact-investing conference series.

And then there are niche investors like Sunwealth.

Inclusion lens

Sunwealth launched in 2014 with a plan to crack an important problem that commercial financiers had been unable to solve: financing commercial solar energy projects. The founders had noticed that even in states with progressive solar policies, like most northeastern and mid-Atlantic states, businesses and community institutions that were well suited for clean and renewable solar energy remained grid-dependent because project developers couldn't get the upfront financing they needed.

“You have this area that’s totally investable but has been deemed un-investable,” Brooks says. “The capital markets can’t figure out how to underwrite commercial solar efficiently.”

Sunwealth’s founders believed they could develop a model that would make commercial solar attractive to investors. The key, they thought, was investment diversity. They sought to construct a portfolio of projects that “look like what you’d see when you walk through a neighborhood”: projects led by local businesses, big companies, and community organizations spanning office buildings, schools, churches and open spaces. This “inclusive investment lens” would not only spread risk but also spread impact.

Fast forward four years, and Sunwealth has financed more than 70 solar installations, ranging from seven kilowatts to 750 kilowatts. Their projects include the Clarks headquarters in Waltham, Mass., which is owned by commercial real estate company Boston Properties, and the Epiphany School, which serves economically disadvantaged students in Boston’s Dorchester neighborhood.

Creating that blended portfolio has, in turn, swayed 120 investors ranging from individuals to foundations and corporations, to back Sunwealth and has helped the firm build a \$40 million pipeline of new projects. Brooks says Sunwealth’s progress is possible because of the sophistication and diversity of Boston’s impact ecosystem.

“We’re able to do what we do because of our community of investors, community of organizations on the ground, and the developers we work with,” she says.

New Revivalist

In spite of the growth of Boston's impact scene, Brooks doesn't believe that it's sufficiently organized "so that investors and investments can find each other." This is part of the reason why pockets of neglect and inequality still exist in many parts of the city, in spite of its extraordinary wealth and brainpower.

The Dorchester neighborhood in south Boston, for example, is second only to downtown Boston in terms of small business activity. (Neighboring Mattapan has the highest concentration of micro-businesses.) Yet in spite of Dorchester's entrepreneurship, its residents, who are majority black and Hispanic, earn less and have lower educational attainment than the Boston area average (Mattapan, a majority black neighborhood, has [similar statistics \(http://www.bostonplans.org/getattachment/7987d9b4-193b-4749-8594-e41f1ae27719\)](http://www.bostonplans.org/getattachment/7987d9b4-193b-4749-8594-e41f1ae27719)).

Indeed, the wealth disparity between Boston's white and minority populations is shocking: white households have a median net worth of \$247,500, compared to "barely above \$0 for Dominican and U.S. African-Americans households," according to the [City of Boston's Small Business Plan \(https://www.cityofboston.gov/images_documents/160330%20Boston%20Small%20Business%20Full%20Report%20-%20Web%20\(144dpi\)_tcm3-53060.pdf\)](https://www.cityofboston.gov/images_documents/160330%20Boston%20Small%20Business%20Full%20Report%20-%20Web%20(144dpi)_tcm3-53060.pdf).

"These wealth disparities likely have a strong effect on minority entrepreneurs, who are less likely to have personal savings to invest in their business or to be able to obtain loans from family members than white entrepreneurs," the report states.

But that's not news to Lucas Turner-Owens. He sees that everyday in the neighborhoods his organization, Boston Ujima Project, supports.

“If we’re looking to [the financial services] sector as a problem solving sector for deeply rooted issues of systematic racism, well, that sector has its own blind spots,” he says.

Boston’s Ujima Project works in underserved neighborhoods like Dorchester and Mattapan to build community cohesion, resources, and investment in local problem-solving. The organization’s name comes from a Swahili word that embraces the principle of “collective work and responsibility”—a theme also celebrated during the week-long celebration of Kwanzaa in the U.S.

Ujima’s mission is to flip the traditional development model on its head, and let community residents be the drivers of local change.

“Within impact investing and economic development broadly, there’s a technocratic approach. Like if you bring in an Ivy League MBA, they can solve problems for communities they’ve never been to,” Turner-Owens says. “We want [to facilitate] beneficiary ownership.”

Ushering in support to local small businesses is Ujima’s main area of focus. This includes connecting business owners to services, institutional buyers, technical assistance, and of course, capital.

Ujima is taking a unique approach: it solicits input from the communities themselves on which businesses should receive funding. Residents who join Ujima as members vote on priorities in their communities—which businesses they love, which ones their communities need, and which ones are predatory or destructive and need to be replaced. Ujima’s team then does a deep dive into the neighborhood’s existing businesses and ranks them based on their financials and a checklist of “good business standards,” which include environmental and social

metrics like worker ownership or persons of color representation. Ujima members get the final say on which ones from the list get financial support.

So far, Ujima has only tested this model on a small scale, through a \$20,000 pitch competition it hosted in 2016 with backing from crowd-lending platform Kiva and community finance organizations LISC and The Working World. Turner-Owens says Ujima's model not only facilitates community ownership, but it helps restore the mission of opportunity creation within the financial services sector. The organization is looking to scale up its activities through a \$5 million investment fund.

Brain trust

Ivy Leaguers may not be best positioned to dictate solutions to long-standing social or local problems based on their education status alone, but with three-dozen colleges, universities and community colleges, Boston has a brain trust that most other cities could only imagine. This has been an asset to both local and global social problem-solving (Ujima's founder Aaron Tanaka is a Harvard graduate, for example, and Sunwealth's Jessica Brooks went to college at Brown, just down the road in Providence).

Brooks, who has been a judge on Harvard Business School's New Venture Competition for the past decade, has seen first hand how much the "next generation" of business leaders is redirecting business and finance as forces for social good. Ten years ago, only a handful of teams signed up for the competition's social enterprise track. Today, it draws 60 to 70, compared to about 125 in the competition's mainstream business track. Recent winners, like HOUR 72+, which makes a long-lasting insect repellent, could have competed in either category.

“I think a lot of folks saw what was happening [during the financial crisis] and saw that the financial markets were not necessarily doing good or being prudent,” says Brooks. “I think that got people thinking about what happens with our money and how they want to use it.”



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