Social Covenant Bonds and Anchor Institutions:
New, Nearly Costless Resources to Create Jobs for New Jerseyans

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The New Jersey Institute for Social Justice, Inc., is a non-partisan urban research and advocacy organization established in 1999 by the Amy and Alan V. Lowenstein Foundation. It is our strong conviction that urban areas of New Jersey hold remarkable potential to act as regionally competitive economic engines while providing resilient, vital and attractive communities to their residents. It is our work to identify, analyze and address the underlying causes of social and economic disparities and to challenge the barriers that constrain cities and their residents from achieving their full potential.
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Introduction and Purpose:

This paper examines options to expand the economic development impact of the construction programs of large institutions deeply rooted in a specific place by virtue of an expansive, physical location. This includes universities and colleges, utilities, hospitals, museums and others more commonly known as anchor institutions.

We will look at: (1) the opportunity to use the process of financing anchor institution construction projects as a mechanism for economic development; (2) background on bond financing agencies in New Jersey; (3) three options to expand the economic development impact of university construction as a result of the project financing process; (4) existing legislation that could increase development impact; (5) model development practices by other anchor institutions; and (6) next steps.

The Opportunity:

The recession has highlighted and accelerated the need for state government to fully leverage its resources in this era of reduced revenue and budget shortfalls. Each expenditure by government must be considered an investment with appropriately measurable return. One of the state’s greatest assets is its anchor institutions, from the colleges and universities to museums, cultural centers and hospitals. These institutions generate an enormous amount of revenue, train the next generation of leaders and keep the residents of New Jersey healthy. As creators of wealth, they must be fully leveraged to benefit all of the state’s residents.

Universities and other urban institutions, such as hospitals, museums, and performing arts centers, have begun investing more in their local communities, realizing that the entire neighborhood’s success is inexorably tied to the success of the institution. This trend is often traced to work at the University of Pennsylvania in the mid-90’s, which, in response to a rise in violent crime in the local area, began a series of initiatives, in partnership with government, the private sector, and nonprofits, to connect the University to the West Philadelphia neighborhood and its improvement.1

Anchor institutions can play key roles in defining the creation and encouraging the growth of regional innovation clusters. Twenty years ago, Michael Porter introduced the concept of “regional innovation clusters”—geographic concentrations of interconnected firms and supporting organizations, like the Silicon Valley technology cluster, the cheesemaking cluster in Vermont and the Raleigh-Durham research

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triangle, to name a few. These clusters drive regional economic growth and create lasting value, as firms are attracted to the kinds of synergies inherent to clusters. The recently released New Jersey State Strategic Plan identified bio/pharma and life sciences, transportation, logistics and distribution, finance, advanced manufacturing, technology, and health care as areas of potential cluster growth in New Jersey. Anchor institutions are vital to the success of clusters: like Stanford University in Silicon Valley and Duke, Wake Forest and the University of North Carolina in Raleigh-Durham, institutions provide the human capital and coordination necessary to increase growth.

Like the efficiencies created by clustered growth, connecting anchor institutions regionally can also produce greater economies of scale. Instead of each university in a region investing separately in dormitory housing or science laboratories, the two institutions could combine resources to build a single shared facility. Housing could be built for a reduced cost to both universities and create a greater connection between students in the region. Shared laboratories will not only reduce facilities costs, but will increase possible collaborations and scientific advancement as well.

We must look to public and private partnerships and innovative forms of investment. The 20th century model that allowed single purpose investing can no longer stand in the face of the dramatic budget shortfalls of the 21st century. Options must be developed to do more with the precious investment dollars and with the institutional infrastructure at hand. We will examine new ways that financial intermediaries like the New Jersey Educational Facilities Authority (“NJEFA”) can leverage their ability to facilitate low-cost financing to ensure that economic development objectives are realized simultaneously with the construction of university facilities.

Now is the time to implement reforms as construction expands. We must learn from the difficulties during the recession that every public dollar must be leveraged to maximize the benefits for all residents of New Jersey.

**Background on Bond Financing Agencies:**

NJEFA is a conduit financing agency that issues bonds to fund the construction of facilities for the state’s public and private two and four year colleges and universities, except for Rutgers University. In 2010, against the backdrop of severe recession, particularly in the construction sector, NJEFA provided over $450 million in financing for facilities throughout the state. To date, NJEFA has seen its role as providing funds to the colleges at the lowest possible interest rate. However, with a changed economic climate,

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4 Katz & Murio, supra note 2, at 15.
the role of financing intermediaries must be reimagined to expand beyond the mere low-cost funding of buildings to more comprehensive economic development. We propose transformative steps that incentivize New Jersey’s colleges and universities in partnership with NJEFA and/or other conduit financing agencies to use the substantial financial resources they facilitate as a catalyst for economic development.

Economic development objectives can be achieved through the NJEFA’s already approved financial transactions at little or no cost to the state. We propose incorporating community benefit terms and/or covenants into loan agreements for large-scale facilities construction by the colleges and universities served by NJEFA. These provisions would require: (1) employing disadvantaged workers from urban regions in New Jersey to build, retrofit and operate facilities over the long-term on the campus; and (2) increasing procurement from women, minority and locally owned businesses.

The chart on the following page diagrams the financing process indicating the flow of funds, key actors and points of leverage for reform.

**The Volume of University Construction is Expected to Remain High:**

There should be ample opportunity to create a program for social goals on upcoming construction projects. The Commission on Higher Education estimates $5 billion in construction needs for the state’s universities, colleges and community colleges. The Commission has passionately requested the state issue a $2.075 billion bond as a down payment to begin this construction. In November 2012, the people of New Jersey made an important down payment on this need by approving the “Building Our Future Bond Act,” authorizing $750 million in bonds, subject to matching fund mandates, for higher education construction. Our colleges and universities require new, 21st century facilities to attract and prepare the workforce of the future as well as to attract high quality staff (NJ currently leads the nation in the EXPORT of high school graduates for higher education). In addition, many existing facilities, constructed in the sixties, are approaching the end of their useful lives and desperately require renovation to maintain competitiveness. Finally, the market is fueling the need for new and larger facilities as men and women are seeking new credentials at record rates in order to improve their workforce competitiveness (another byproduct of the recession).

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6 *Id.*
Bond Financing Process Diagram:
Points to Leverage Employment and Procurement include the Loan Agreement between the University and NJEFA; the development of the Credit Rating for the Bonds; and the nature of the Bondholders.

- **University Borrower** sends a **Project Financing Request** to the **NJ EFA:**
  - underwriters
  - bond counsel
  - financial advisors

- **Loan Repayments** = Bond principal & Interest

- **Underwriters:**
  - credit & market analysis

- **Ratings Agency**:
  - credit & market analysis

- **Bondholders:**
  - Traditional and Others

- **Trustee**:
  - Bond counsel legality of issue
  - Bond Proceeds
  - Bond Payments
  - Construction Payments
Options to Expand Economic Development Impact

Option 1

Reforming the Financing Process – Creating a University of the Future Compact. This option can be implemented immediately. A ‘University of the Future Compact’ would be added to the bond application process to create capacity within the NJEFA, Commission on Higher Education (CHE), or other entity to assist in the development of the Compact and to track, report, reward and enforce elements of the Compact. The cost to administer the Compact can be: (1) paid by the borrower along with other administrative costs; (2) funded as part of the bond issue; or (3) funded in the same manner as NJEFA funds its Swaps Monitor. By making the Compact a part of the application process, universities would understand from the earliest point possible the role they will play as a development catalyst.

The Compact: The Compact details their plans to achieve a variety of targeted outcomes either directly or through contractor agreements (such as hiring targets for facilities construction and operation, purchasing and procurement from local, women, and minority-owned firms, living wages, etc.). The concept of a pre-financing questionnaire that becomes a part of the financing program is not new. Exhibit A provides examples of questionnaires included in the bond application processes by other state financing agencies. These plans would not form a part of the credit analysis of the bond.

Reports: Regular ‘dashboard’ reports detailing goals achieved, progress and/or failure would be provided along with other required reports from the university as a part of the existing financing and ongoing disclosure process. NJEFA or CHE staff would compile reports for the Governor and appropriate Commissioners including Higher Education, Labor and Workforce Development, Community Affairs, Treasury and Commerce. Annually, the Governor would recognize the achievements of the universities.

The Innovation: This proposal ensures recognition for good work at the highest levels and makes the results of each university’s effort public. We suggest using the model set out by the new Global Impact Investing Network for data-driven, easy to understand reporting that can be posted online to publicize these efforts (see www.TheGIIN.com). The minimum requirements of all publicly funded construction projects should be included in the Compact such as county construction workforce composition by race and gender; state purchasing and procurement objectives; and the set aside of ½ of 1 percent of construction costs for training. NJEFA and other conduit agencies must ensure that their internal processes for selecting and hiring financial advisors, underwriters, bond counsel, printers, and other suppliers of goods and services achieves these goals as well.

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Option 2

Establish an Impact Reserve and Social Covenants: In this option, in exchange for agreeing to social impact covenants, the university would benefit from an Impact Debt Service Reserve designed to improve the credit quality of bonds. Specific social covenants would be developed to be included in the Loan Agreement between the Conduit Authority and the university (see the Financing Process diagram above). Traditionally, any social goals are developed at the discretion of the university and are reflected in the construction documents or development agreements between the university and its contractors. In this option, we are developing standard goals and also including goals in the financing agreements between the conduit agency and the university.

Covenants and Debt Service Reserve: Covenants would be negotiated with EFA providing the opportunity to direct the objectives more closely. According to an interview with experienced bond underwriters, social goals should not impact the credit rating of the project unless the implementation of the goals causes a material increase in the size of the financing.\(^\text{11}\) The Impact Debt Service Reserve would be a pool of funds created by collecting and aggregating together 1 percent (or other small amount) of each bond issue. The terms of each individual bond issue would already likely require a debt service reserve. The Impact Debt Service Reserve would be an additional reserve that would provide a second cushion against risk of non-payment for the bondholders. The Reserve concept has been implemented by a number of states to enhance the credit quality of Brownfields remediation programs.\(^\text{12}\) Credit rating agencies are largely indifferent to the funding source for a reserve,\(^\text{13}\) the important point is that there are funds set aside to avoid shortfalls in the payment of interest and principal in a timely fashion.

The Innovation: By pooling funds to create a single reserve, multiple borrowers could benefit from an improved rating and a lower cost of funds. At the end of the term of the bond, the reserve would self-liquidate. Administration costs of the reserve could be covered from the arbitrage on the fund. Any use of the reserve would be cured by the respective borrower by a date certain. If the aggregation of 1 percent does not build a reserve of sufficient size (generally one annual payment of principal and interest) then, because the funds are returned at the end of the term, raising matching funds from the

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state or other sources might be considered, even in these difficult economic times. A ‘shadow rating’ could be purchased from the ratings agencies to indicate the proposed financing’s unenhanced credit rating and the amount of cash enhancement needed to raise that natural rating to the desired level.

**Alternatives Credit Enhancement:** Bond insurance and Letters of Credit could also improve the credit quality of the bond issue. However, each of these strategies could require an additional credit review and require renewal over the life of the bond. Even though the insurance or letter of credit could require less of a capital outlay at the outset, the Reserve may be a simpler option to improve credit quality.

**Reports:** Reports would be provided to EFA on a regular basis as appropriate for the specific covenant. An annual report would be submitted with the loan payments. A formal default would occur in the event that objectives were missed which would be reported to specific agencies like any other default. This type of default would not, however, trigger any accelerated payment or other terms similar to a default of financial terms or payment default. The university would have a specified period to cure the default.

**Option 3**

**Social Covenant Bonds - Reduce Cost of Financing by Attracting Impact Investors:** The borrower would agree to social covenants in exchange for a lower cost of capital. Impact investing is an emerging asset class. Impact Investors range from pension funds and banks to wealthy individuals and foundations. In a world where government resources and charitable donations are insufficient to address the world’s social problems, impact investing offers a new alternative for channeling large-scale private capital for social benefit. According to JP Morgan Chase, ‘impact investments are intended to create positive impact beyond the financial return. As such, they require the management of social and environmental performance in addition to financial risk and return.’ This type of investment is particularly poised for dramatic growth now because of the recognition that philanthropic and government al resources combined are not enough to solve societal problems. A recent report found this to be a potentially $500 to $600 billion market.

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16 *Id.* at 5.

17 *Id.* at 22.


19 *Id.* at 5.
tested in the UK where investors seek to demonstrate the efficacy of new, cost saving government strategies to social issues (such as strategies to reduce recidivism).\textsuperscript{20} Investors range from those willing to risk the entire loss of their investment to investors seeking social outcomes in addition to market financial returns.\textsuperscript{21}

**Reducing the Cost of Capital:** The implications for a bond financing with social covenants are exciting. Introducing Impact investors into the financial structure could reduce the cost of capital by: (1) accepting a lower rate of return, including a sinking interest rate as quantifiable social goals are met; (2) accepting a subordinate position in a second tranche or series of bonds, thereby providing a deep cushion for the senior bondholders and improving all of the financial ratios, resulting in a better rating; (3) eliminating sinking fund payments on their portion of the debt resulting in more cash management flexibility for the university borrower; and (4) potentially reducing issuance costs by requiring a smaller syndicate of underwriters and a more certain placement for a significant portion of the financial structure.

**The Innovation:** The Impact Investor has a primary interest in social outcomes. A financing with a well-established consortium of institutions who are experienced and sophisticated with strong track records of construction, no defaults (in the history of NJEFA), and substantial balance sheets, in combination with specific social goals captured in formal covenants, represents an extraordinary opportunity for low-performance risk and high social return. Designing the bonds to have a sinking interest rate will be particularly attractive to social investors because they will be guaranteed a market rate of return if the higher education institution fails to meet the social obligation targets. The current state of the Impact Investing focuses on increasing the scale of nonprofit activity. Our proposal turns this on its head – we are seeking to introduce social concerns to institutions that already operate at scale. Gubernatorial recognition of the results offers the potential to serve as a national model of combining social and financial objectives.

**Reports:** Regular reports would be made to EFA as well as the Impact Investors following the form described in Option 2. Of course, Options 2 and 3 could be combined as well.

**Underutilized Legislation:**
A number of statutes already exist and are underutilized that support expanding the role of NJEFA. These include: (1) prevailing wage; (2) a requirement to set aside $\frac{1}{3}$ of 1% of publically funded construction contracts for training; and (3) a committee within the New Jersey Commission on Higher Education that focuses on economic development.

- **Prevailing wage:** The enabling legislation for EFA contains a prevailing wage requirement for all construction workers on EFA projects. Under N.J.S.A. 18A:72A-5.1, “each worker employed in

\textsuperscript{20} Nick O’Donohoe, supra note 15 at 7.
\textsuperscript{21} Id. at 13.
the construction or rehabilitation of facilities undertaken in connection with loans, loan guarantees, expenditures, investments, tax exemptions or other incentives or financial assistance approved, provided authorized, facilitated or administered by the New Jersey Educational Facilities Authority, or undertaken to fulfill any condition of receiving any of the incentives or financial assistance, shall be paid not less than the prevailing wage rate for the worker’s craft or trade, as determined by the Commissioner of Labor and Workforce Development pursuant to P.L. 1963, c.150 (C.34:11-56.25 et seq.).” This provision is incorporated into financing NJEFA’s loan documents and is effectively enforced. Because many prevailing wage projects will be built by construction and building trades unions, this point could be expanded to require the use of apprentices as detailed in the respective collective bargaining agreements of each labor organization as part of a strategy to create demand for local workers. The vast majority of apprentices are state residents in comparison to journey workers who can come from the tri-state region and even the entire country.

- **Set aside ½ of 1%**: New Jersey has required ½ of 1% of publicly supported construction costs to be set aside for training and outreach to minorities and women in the construction trades. A public body entering into public works contracts over $1,000,000 funded by a public body, or any public works contract financed by funds provided to the public body, is required to transfer one half of one percent of the contract funded by funds of the public body, or provided to the public body to the Department of Labor and Workforce Development for outreach and training. This provision would most likely not cover financing by EFA because it does not fund any public works contracts. It only engineers the bonds for investment by third parties. This is the same problem with the administrative code covering the set-asides for training under the School Development Authority. There, under N.J.A.C. 19:39-5.1, “[t]he SDA shall allocate one half of one percent of capital funds for approved school facilities projects to fund training for women and minority workers in life skills, pre-apprenticeship, and construction trades apprenticeship programs that are pertinent to school facilities projects construction.” We should consider legislation or regulations adding a requirement to fund training for all financings by EFA. This provision would replace “funds” or “capital funds” with “financings” or “bonds.” Even without legislation requiring this set aside, NJEFA could negotiate this provision with individual higher education institutions that apply for financing.

- **New Jersey Secretary of Higher Education**: Under N.J.S.A. 18A:3B-40, the Secretary has the authority to appoint and convene a network of academics and researchers to develop economic policies and programs for higher education. Based on this statute, a community benefits committee could be created to implement economic development policies and programs for higher education. The rationale for the committee could be supported by the academic

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22 Under the statute, the New Jersey Commission on Higher Education is granted this power. However, on June 29, 2011, Governor Christie abolished the New Jersey Commission on Higher Education and transferred the “powers, functions, and duties of the Commission to the Secretary of Higher Education.” Reorganization Plan, No. 005-2011. Based on this plan, the Secretary of Higher Education would have the same statutory power to appoint and convene such a network.
network summarizing the literature on anchor institutions and their ability to create economic development, especially in New Jersey’s urban areas. The community benefits committee would be charged with: (1) monitoring all bond issuances for higher education institutions through New Jersey government agencies to ensure that construction creates the most benefit for New Jersey residents; and (2) identifying and monitoring government supported procurement by higher education institutions to ensure it benefits New Jersey residents.

Anchor Institution Best Practices:

A number of anchor institutions around the country have followed the success of the University of Pennsylvania’s success in investing its community. Six regions stand out in particular: (1) Essex County; (2) Syracuse University; (3) the University of Cincinnati; (4) the Greater University Circle Initiative in Cleveland, Ohio; (5) the San Francisco Public Utilities Commission; and (6) the New York Dormitory Authority. Traditionally, anchor universities have focused on their role as real estate developers. Few of these institutions have expanded their strategies to include hiring and procurement policies that target local residents. Most institutions have not evaluated the potential of their economic impact on the community or developed collaborations with local businesses. As the Initiative for a Competitive Inner City has noted, “few anchors are aware how they can leverage their activities to improve their own performance while creating shared value with the community.” Expanding the vision of anchor institutions to include employment and procurement policies is the next frontier.

Essex County Anchors: Two projects in Essex County are particularly interesting: (1) the Teacher’s Village development; and (2) Montclair State’s public/private dormitory construction.

Teacher’s Village is an innovative $150 million development in downtown Newark that will include three charter schools, over 200 apartments for teachers, a daycare center and street-level retail. The theory

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23 How to Behave Like an Anchor Institute, CEOs for Cities with Living Cities (June 2010), available at http://www.ceosforcities.org/pagefiles/behave_anchors.pdf
24 Id.
26 Id.
27 Id. at 52.
28 Id.
29 Telephone Interview with Dr. David J. Maurrasse, President and founder of Marga Incorporated, Adjunct Associate Professor of International and Public Affairs at Columbia University School of International and Public Affairs and heads the Anchor Institutions Task Force, an organization bringing together over 120 members from colleges and universities.
30 Sarah Prtlock, Newark to Break Ground on Long-Awaited Teachers Village, The Star-Ledger (Feb. 9, 2012), available at http://www.nj.com/business/index.ssf/2012/02/newark_to_break_ground_on_long.html; Alison Gregor, Newark Project Aims to Link Living and Learning, NYTimes (March 6, 2012), available at
behind the project is to leverage the resources of the local schools, in this case the teachers, to revitalize
downtown Newark. By building housing and retail, the city can attract the educators and spur additional
growth through a stable population of professionals who are able to support local retail and restaurants.
The financing for the project came from a unique mix of public and private sources, including Urban
Transit Hub tax credits, federal New Market tax credits, the city of Newark, state Casino Reinvestment
Development Authority, federal Qualified School Construction Bonds, Goldman Sachs, Prudential
Financial Corp, TD Bank and New Jersey Community Capital.  
Montclair State University, with limited ability to finance additional facilities construction, turned to
private developers to build a new dormitory on campus. Capstone Development LLC financed the
“$211 million project with tax-exempt bonds issued by the New Jersey Economic Development
Authority. Capstone will manage it for the next 40 years or until the bonds are paid off and the title
reverts to the university.”

**Syracuse University:** The University has two major community based projects: (1) the Connective
Corridor Initiative, which seeks to redevelop an urban pathway that connects the campus to downtown
Syracuse; and (2) the Near West Side Initiative, which focuses on redevelopment of a disadvantaged
neighborhood with investment in arts and technology. The Connective Corridor links 25 cultural
institutions and creates a partnership between the University, the city, the local utility company, Time-
Warner Cable, and a Community Working Group. The Near West Side Initiative has focused on
redeveloping warehouses as centers for green technology and artists’ spaces. It has also invested in
revitalization of residences surrounding the commercial areas.

**University of Cincinnati:** In 2003, the University created a partnership of five anchor institutions from
the uptown neighborhoods of Cincinnati to form the Uptown Consortium, a community development
corporation that focuses on social, economic and physical improvement of the neighborhood. The
institutions are the University of Cincinnati, Cincinnati Children’s Hospital Medical center, Cincinnati Zoo
& Botanical Garden, the Health Alliance of Greater Cincinnati and TriHealth, Inc. In its first step, the
Consortium convened a series of summits to include community representatives in the planning
process. From the summits, the organization created three committees, community development,
neighborhood services, and public safety, each made up of Uptown residents, business leaders, staff
from the anchor institutions, and experts from the private, non-profit and public sectors. The
committees have focused on developing and marketing business districts, supporting neighborhood
healthcare through the University’s hospital, and improving safety by hiring off-duty police officers and

http://www.nytimes.com/2012/03/07/realestate/commercial/newark-project-aims-to-link-living-and-
learning.html?pagewanted=all.

31 Id.
32 Ronda Kaysen, Public College, Private Dorm, NYTimes (Jan. 24, 2012), available at
33 Id.
targeting negligent property owners. The consortium has included performance measures and self-examination to measure success.

**Greater University Circle Initiative:** In 2005, the Cleveland Foundation began the Greater University Circle Initiative, which seeks to increase investment and neighborhood development in Cleveland’s core urban areas. 34 The University Circle includes the city’s key cultural institutions such as the Cleveland Museum of Art, the Cleveland Orchestra, the Cleveland Institute of Music, Case Western Reserve University and the University Hospitals. The “Greater” refers to neighborhoods around the city and other key anchor institutions, including the Cleveland Clinic, Veterans Affairs Medical Center, public schools and the Cleveland School of Architecture and Design.

The Initiative focuses on the following four areas to connect the neighborhoods with the city’s anchor institutions to create a thriving economic core: (1) Housing – “creating a strong, standardized, centrally managed program that provides mortgage and home-repair assistance to low- and moderate-income families”; (2) Education – “enhancing local school options”; (3) Economic inclusion (a) work force strategy – “providing job training and preferred access to jobs in Greater University Circle for qualified neighborhood residents and (b) purchasing and procurement strategy – “leveraging institutional relationships and identifying opportunities to purchase products and services from either neighborhood businesses or businesses that relocate to the area”; and (4) Safety – “enhancing safety and security in neighborhoods.”

Following a 2006 roundtable on building wealth in the Greater University Circle area, the Cleveland Foundation commissioned the Democracy Collaborative out of the University of Maryland to design an economic inclusion strategy for the lowest income neighborhoods in the area. 36 This strategy developed into the Evergreen Cooperative Initiative to “link anchor institution supply chain opportunities to local business development and job creation” through “a new network of businesses as worker-owned cooperatives. . .” 37 In October 2009, the first two businesses, the Evergreen Cooperative Laundry and the Ohio Cooperative Solar, opened.

**Government Agencies:** The San Francisco Public Utilities Commission and the New York Dormitory Authority both offer strong examples of how hiring and procurement programs can be applied in their own projects. These offer model practices that can form the basis for the social covenants described earlier in this memo.

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34 Cleveland Foundation, Greater University Circle: Cleveland’s Urban Core, available at http://www.clevelandfoundation.org/VitalIssues/NeighborhoodsAndHousing/GreaterUniversityCircle/
35 Id.
37 Id.
• **San Francisco Public Utilities Commission:** In 2009, the San Francisco Public Utilities Commission began researching a community benefits policy and eventually adopted the policy in January 2011. Under the policy, the Commission will develop a program that focuses on ten categories of benefits, including local hiring, environmental justice, education and investment in the arts. The Commission will track and monitor the community benefits policy internally.\(^{38}\) The SFOPUC’s Project Labor Agreement provides a model of apprentice utilization, planning monitoring and reporting that could be adapted to any construction project (see Exhibit B).

• **New York Dormitory Authority:** The Authority is a similar institution to NJEFA. Its purpose “is to finance and build facilities for higher education, health care providers, court facilities and certain nonprofit institutions and public agencies.”\(^{39}\) The Authority is leader in expanding procurement opportunities through its Opportunity Program for Minority and Women-owned Businesses.\(^{40}\) The Opportunity Program Group assists MWBE firms compete and bid on construction and finance business, and enforces and monitors employment diversity at contractors and financial services firms on Authority projects. It has a statewide goal of 13% MBE and 7% WBE participation in construction related projects. The OPG has programs to increase MWBE involvement: (1) Construction Contracting Program; (2) Equal Employment Opportunity Program; (3) Commodity Compliance Program; (4) Construction-Related Professional Services Program; (5) City University of New York (CUNY) Set-Aside Program; and (6) Financial and Professional Service Program.

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**Conclusion and Next Steps:**

We are at a transformative moment. With the tremendous financial strain of state budgets forcing new creativity, we have identified mechanisms that produce more outcomes for little or no additional cost by ensuring that the construction workers and suppliers on university construction projects are targeted toward New Jerseyans most in need. We have also identified the growth of the new Impact Investing field as a key means of blending social and financial goals. However, in the current status of the Impact Investing field, much of the literature is concerned with the scalability of social investment initiatives and the absorptive capacity of nonprofit borrowers. This is not surprising because the field emerges

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largely from the nonprofit and foundation sector. The approach described in this paper turns these concerns on their head. Willie Sutton was famously quoted as saying that he robbed banks because that is where the money is. In this case, we are targeting economic development objectives where the ‘money’ is in terms of capacity and scale is already in place – our goal is to use traditional investments to catalyze opportunities for those who have been hardest hit by the economic recession.

Our next step would be to establish a small ‘Brain Trust’ including an academic, an underwriter, social investor networks, properly skilled consultants and others to review this paper, refine options and develop a potential structure. Next, seek a university, a Bond issuer and an appropriate project to pilot a financing initiative and coordinate with the Departments of Labor and Workforce Development, Higher Education, Educational Facilities Authority, Economic Development Authority, Community Affairs and Treasury to bring resources under their control to bear on the pilot. The pilot would be carefully implemented and documented for additional refinement and replication. An audience-building and dissemination effort would begin early in the process, including potential convenings with the National Anchor Institution Network under the leadership of Marga, Inc. to help publicize and popularize this 21st century approach to financing construction projects. This paper began by identifying the need to create a new environment where financing facilitated by state agencies builds opportunity in addition to buildings. We believe that the ideas detailed above are the beginnings of a new model.