

Bay Area



Impact Investing Initiative

BAIII Private Equity Strategy

March 2018 Update

As a job creating machine, the Silicon Valley leads the world with its history of start-ups, entrepreneurs, venture capital, and phenomenal regional growth. In an environment of academic and business wealth, the culture of Silicon Valley has come from both intense competition and remarkable collaboration. An ecosystem has grown to include incubators and accelerators for new companies, pre-seed and angel funding networks, venture capitalists who specialize in high risk/ high impact ideas, and investors of all sorts embracing private equity as an asset class.

The BAIII multi-manager private equity portfolio would invest in local companies through local expert managers. As an example, earlier in the 2000's, the Bay Area Council raised \$75 million to invest in new companies in low-to-moderate income neighborhoods to create jobs locally. Pacific Community Ventures is a CDFI that provides small business loans to local companies in underserved communities, as well as technical mentoring and assistance.



The Bay Area is the global center for private equity investing, providing opportunities to invest throughout the range of risk/return/liquidity and impact goals. The Bay Area private equity ecosystem is rich in investable opportunities, experts in growing companies, long term capital, and big ideas. The BAIII private equity portfolio would be based on local investments that provide a positive social or environmental impact in the Bay Area alongside strong financial returns.

Bay Area Council Equity Fund: 2004 – 2014

The Bay Area Equity Fund (BAEF) was a highly successful \$75 million venture capital fund. As a social impact private equity fund, it seeks to deliver market-rate venture capital returns while enabling social and environmental improvement in the Bay Area's low- to moderate-income (LMI) neighborhoods. The fund invested in rapidly growing companies located in target neighborhoods and can generate high quality jobs for residents in those communities. Investments focused on rapidly growing technology, consumer products and services, and health care companies. Since 2004, the fund has helped its portfolio companies implement tailored social impact programs to encourage connections to the communities from the earliest stages. The BAEF invested all \$75 million of capital across 18 portfolio companies and is currently in the distribution phase. The BAEF's investments included: Tesla Motors, SolarCity, Revolution Foods, Pandora, Powerlight and Labcyte, among others. Its significant accomplishments include

- Returned 24.4% IRR and 4.1 times cash-on-cash returns net to its limited partners, as of December 31, 2014.
- Five IPOs and 4 acquisitions across the portfolio.
- Co-created a community participation program based on shared value principles with each portfolio company, including financial literacy training, English as second language classes, music education and after-school programs for teens, among others.
- Generated approximately 15,000 jobs, of which 4,422 were in the Bay Area, and of which 2,218 were low- to moderate- income (or entry level) jobs.
- DBL Investors is a venture capital firm created from the spin-out of the Bay Area Equity Fund I from JPMorgan in January of 2008.
- <http://www.bayareacouncil.org/about-us/about-the-family-of-funds/#2>

Pacific Community Ventures: Small Business Loans - the SAIL program

Pacific Community Ventures (PCV) is a CDFI whose mission is to create jobs and economic opportunities for small businesses located in or hiring from lower income communities. To achieve this end, our Small Business Advising Integrated Lending Fund (SAIL Fund) provides affordable small business loans from \$50,000 to \$200,000 to high-growth California businesses that are creating quality jobs in underserved communities. SAIL loans support businesses that pay living wages, offer benefits and

provide career opportunities to help workers in underserved communities thrive and be successful.

SAIL small business loans are unique in that they integrate capital with expert-level business advice throughout the full term of the loan to ensure the long-term success of the borrower. SAIL borrowers meet with a PCV Advisor on a quarterly basis to make sure the loan is being deployed sustainably and that the business continues to grow and thrive. In addition to their quarterly meetings with a financial advisor, SAIL borrowers can also work with small business advisors in a variety of areas, such as marketing, HR and much more, as needed. PCV SAIL small business loans put businesses on a path to ensure the long-term success of our borrowers.

- <https://www.pacificcommunityventures.org/small-business-loans>