# Investment Intermediaries in Economic Development: Linking Public Pension Funds to Urban Revitalization

***Lisa A. Hagerman, Gordon L. Clark, and Tessa Hebb***
*University of Oxford, School of Geography at the Centre for the Environment*
*Harvard Law School, Pensions & Capital Stewardship Project, Labor and Worklife Program*

Investing in America's inner cities is an innovative practice in which large institutional investors, such as public pension funds, can enjoy financial and social returns while spurring economic growth in underserved emerging domestic markets (EDMs).[1] These investments are made through traditional assets (fixed income) and alternative assets (equity real estate and private equity). Contrary to market perception, targeted investments can produce competitive risk-adjusted returns along with secondary social benefits, such as jobs, workforce housing, and an increased tax base.

Pension funds with targeted investment policies have been explicit and public about their desire to find investment opportunities in the underserved markets. Hebb (2005) highlights the California Public Employees' Retirement System's (CalPERS) targeted investment policy language referring to the "California Emerging Market Investments" in which "underserved markets would include urban and rural areas undergoing or in need of revitalization where there are assets (e.g., an available labor pool, underused infrastructure) conducive to business development" (CalPERS 2005). New York City Employees Retirement System's (NYCERS) economically targeted investment policy (adopted 1982) and MassPRIM's policy (adopted 2003) include both a geographic target and a requirement to fill a capital gap that reaches an underserved market (NYCERS 2005, MassPRIM 2006).

As interested and motivated as the pension funds may be, it is difficult for a large investor to make investments in EDMs. To start, large capital investors, such as pension funds, must make very large investments. The investments in communities of need, however, are small. Furthermore, those small investments are often out-of-the-ordinary, specialized investments, which require an in-depth understanding of "the story" because there is often little standardized data to analyze. In our research, we have found that the most successful strategies to overcome these two problems is for investors to work in concert with intermediaries—one set (investment vehicles) that deal with aggregating the investments to a scale that makes economic sense for the pension funds, and another set (community partners) that understand the need of communities and also know how to tell "the story" to investors.

---

1 The Milken Institute defines the Emerging Domestic Markets to a market that "refers to people, places or enterprises with growth potential that face capital constraints due to systematic undervaluation as a result of imperfect market information. These markets include ethnic- and women-owned firms, urban and rural communities, companies serving low-to-moderate-income populations, and other small- and medium-sized businesses" (http://www.milkeninstitute.org/research).

Investing in higher-risk, illiquid, targeted investments are part of an active portfolio and are more time-intensive than a passively managed portfolio. As such, pension funds that have adopted formal policies limit their total investments in this category to two percent of total assets in line with their broader strategic asset allocation policy. Pension funds seek portfolio diversification through a strategic asset allocation policy in which the fund or its consultants set a target percentage to each asset class—traditional and alternative investments. Allocating two percent of total assets to targeted investments contributes to the fund's overall strategic asset allocation policy and adds to the fund's portfolio diversification.

A public pension fund's decision to invest in emerging domestic markets is driven first and foremost by its fiduciary duty and overarching mission to achieve competitive financial returns for its pension fund retirees and beneficiaries. Public pension funds, as with any institutional fund, seek to outperform the market. Investments targeted to EDM can both achieve good returns and help overall fund performance by diversifying the pension fund's portfolio. A well-diversified portfolio is made up of a spectrum of asset classes as a means of spreading risk across classes. Targeted investments in EDM can play a part in this strategy to seek out investments that may have been overlooked by traditional sources of capital.

In addition to return and diversification goals, public pension funds target investments to benefit the economic climate where their beneficiaries live and work. Often public employees retire in their state. For example, the New York State and Local Retirement System (New York State Common) has 77 percent of retirees and beneficiaries that remain New York State residents (NYSLRS 2006). Pension funds therefore adopt targeted investment policies to seek competitive returns while also allowing a fund to create healthy communities benefiting their retirees and beneficiaries.[2]

We estimate that there are approximately $11 billion of public-sector pension fund commitments (across all asset classes) in urban revitalization, emerging domestic markets, or, more broadly, economic development, through either formal targeted investment policies or one off investments as of 2007.[3] We also find that momentum for this type of investment seems to be picking up. Recently several new public-sector pension fund investors in urban revitalization include the Connecticut Retirement Plans and Trust Funds (CRPTF), Contra Costa County Retirement System, Los Angeles City, County, Fire and Police, and increased investment from CalPERS, CalSTRS, New York City and State (moving into private equity), and MassPRIM.

2 Similarly some foundations (e.g., F. B. Heron Foundation) are taking up "mission related" market-rate investments through their endowments as (similar to a public pension fund) investments to benefit their underlying constituents and help achieve their mission of creating healthy, sustainable communities. Pensions & Investments (October 16, 2006) reported that in a new survey from the Council on Foundations, U.S. foundations are slowly taking a riskier approach with their investments and increasing the number of outside managers.

3 For a complete breakdown of dollars committed across public pension funds and asset classes, see Pension Funds & Urban Revitalization website: http://urban.ouce.ox.ac.uk. This number does not include broad in-state targeting, but, rather, specific programs designed to stimulate economic activity in underserved capital markets or urban and rural underdeveloped areas.

## Obstacles for Pension Funds in EDM Investments

One significant obstacle pension funds face is a history of failed economically targeted investments (ETIs) from the 1980s that have resulted in negative perceptions of investments in the underserved markets.[4] In part, many of those failed investments were driven by an overly aggressive effort to achieve the social benefits first, and the market rates of return came second.

To make matters worse, critics argue that ETI investments are prone to political interference (Romano 1993) and can distract pension funds from their mission. They argue that these investments are politically motivated and can be referred to as "Politically Targeted Investments—PTIs," in which politicians promote the social returns for their own political gain.

Some critics also view these investments as running counter to the fund's fiduciary duty. While public-sector pension funds are exempt from ERISA (1974 federal law over private pension funds) and are governed by varied state laws, ERISA standards and its treatment of economically targeted investments (ETIs) are cited as a transferable legal framework. The Department of Labor issued an interpretative bulletin (1994) stating that private pension funds may pursue ETIs as long as they meet standard prudent investment guidelines and seek appropriate risk/return characteristics (U.S. Department of Labor 1994).

Other obstacles include pension fund consultants (gatekeepers) who may not be inclined to track targeted investments because they are not an established asset class, or they are more time consuming and costly, or pension funds themselves may not have dedicated staff to review and monitor targeted investments. By far, however, the main problem with pension funds making targeted investment in the emerging domestic markets is that the deals are too small, hard to find, and require in-depth knowledge of what a community needs for its improvement.

## Overcoming Obstacles: The Help of Intermediaries

Bringing investments to scale so they are attractive to a large institutional investor (e.g., public-sector pension fund) is a challenge. Reaching the underserved markets and finding the untapped investment opportunities in urban and rural communities is a specialized process that requires an in-depth understanding of the market and an ability to break through market barriers such as high information and transaction costs. Our research shows that overcoming these barriers requires investment intermediaries that can aggregate investments to scale, making them viable for large public-sector pension funds.

Public pension funds do not have the time or expertise to actively manage specialized urban investments. Investment vehicles intervene, using their expertise in economic prin-

4 See Hagerman et al. (2005), which cites past failed or politically motivated investments such as Pennsylvania state employees' and public school employees' $70 million investment in an in-state Volkswagen plant, Alaska public employees' and teachers' retirement systems' $165 million loan (35% of total assets) for in-state mortgages in 1980, and Connecticut pension fund's $25 million (47% stake in the company) investment in a distressed local firm (Colt Firearms of Colt Industries) in 1990.

ciples and government subsidies, to organize and produce scale. An investment vehicle can source deals and deploy capital into the community through limited partnerships and limited liability companies and in some cases a fund-of-funds. Clark (2000, 192) notes that "intermediaries are functionally located between pension funds and financial services markets offering expertise in project-based investment management and management of the flow of funds."

The specialized investment fund, through its urban investing expertise, helps the institutional investor place large pools of capital in the underserved markets. The investment vehicle is the entity that knows and understands the underserved markets and how to find the deals. They also have a deep knowledge of the range of subsidies, guarantees, and tax credits that are often required to make these deals with market rates of return for the investor. As a result, these investment vehicles are able to lower the transaction costs of these types of investments. The investment vehicles have a specialized skill set enabling them to replicate these types of deals and build on their preexisting expertise in a way that a pension fund would not be able to do.

Investment vehicles specialize in different asset classes such as fixed income, equity real estate, and private equity (early- and later-stage venture capital).[5] Fixed-income debt-based investments are usually the first asset class by which a pension fund undertakes investments in economic development. Fixed-income investments in economic development are often backed by government guarantees and are a conventional option for the large institutional investor. Equity real estate is a growing industry and the asset class through which investments can make the greatest impact on urban revitalization. Private equity investment vehicles make investments in mission-oriented companies across industry sectors.

## Investment Vehicles and the Importance of Scale

Investment vehicles and pension funds both need scale to make investing in the urban market viable and profitable. An institutional investor will only make an investment if it meets the minimum amount required because it has tremendous pressure to place billions of dollars in investments with healthy returns. And similarly, investment vehicles need scale to be able to organize and produce developments and ventures of size that yield the targeted returns. The investment vehicle reaches scale in their investments by pooling assets, reducing transaction costs, and partnering with community development corporations. The investment vehicle needs scale in their transactions to be able to transform neighborhoods and mission-driven companies, and thus achieve the targeted returns. Without scale, the investments would be too insignificant and could not generate the economic revitalization needed to ultimately produce the market rates of return when exiting on the investment.

5 This article is drawn from a longer paper, "Investment Intermediaries in Economic Development: Linking Pension Funds to Urban Revitalization" by Hagerman et al., available on the Pension Funds & Urban Revitalization website: http://urban.ouce.ox.ac.uk.

As important as scale is, it is hard to achieve. Barriers to reaching scale in the emerging domestic markets include access to accurate information and high transaction costs. Daniels (2005) has identified market barriers that help explain why capital does not easily flow to low-income neighborhoods:

1. Inadequate risk management. Conventional investment vehicles do not adequately pool and spread risk among a range of sophisticated institutional investors
2. Managers do not price the transaction up to the associated risk
3. Information and transaction costs. Often it costs too much to find out who are the players and where the opportunities lie within the inner city
4. Market prejudice. With "pre-judgment" and a lack of good information, a conventional manager may see lack of growth, uncertainty, and no opportunity

Government regulations also can deter development in the underserved markets. For example, inadvertent tax and regulatory policies and transportation and infrastructure policies can have the unintended consequence of placing a hidden cost on potential underserved neighborhoods.

An investment vehicle achieves scale through its product knowledge expertise and access to local information, something the institutional investor lacks. An investment vehicles' competitive advantage is in overcoming barriers by pooling assets, establishing a niche in the marketplace, and minimizing its transaction costs through experience. An investment vehicle with on-the-ground knowledge can also help create a market that previously did not exist. Merton and Bodie (2004) refer to the "innovation spiral" and the role of intermediaries as providers of new financial markets.

## An Investment Vehicle That Achieves Scale

The Community Preservation Corporation (CPC), a not-for-profit community developer in New York City, was created to fill the gap left by traditional bank lenders in the 1970s and has since expanded its base of capital providers with permanent financing from public-sector pension funds such as the New York City Retirement System (NYCERS). In this example (Hagerman et al. 2005), NYCERS makes forward-rate commitments (commits to buy a loan up to 24 months at a long-term lock-in interest rate) to the originator, a private lender such as CPC. CPC then has the certainty to make the construction loan as the guaranteed take-out financing is in place, and after construction CPC converts the loan to permanent financing and sells it at par to NYCERS. CPC is the entity that has the track record and understands the neighborhood, developers, and operating costs of the project. NYCERS makes the commitment subject to the State of New York Mortgage Agency (SONYMA) insuring the loan.

CPC organizes and produces scale in its ability to nurture development specialists. Before CPC came into being, no one thought of specializing in converting dilapidated buildings into rentals on a larger scale. With the help of CPC financing, and community development expertise, subcontractors often become general contractors and sometimes even owners of these community development projects (Community Preservation Corporation 2005).

### The community partner as an intermediary

In community-based investing, the community intermediary—or community partner—serves as the intermediary between the investment fund manager and the economic development area. The institutional investor (e.g., the public-sector pension fund) sets broad geographic targets, while the investment vehicle narrows those targets to realize the benefits in the community. The investment vehicle collects and deploys the money, often working in partnership with a community partner who ensures that the investment provides tangible benefits to a community. While the investment vehicle provides structure in the financial sense, the community partner does so in the geographic sense. In effect, the community partner also serves the role of an intermediary.

The community partner is the essential link for a successful urban revitalization investment venture. It can ensure that a current residents' interests are considered and any new investment is not simply an exercise in gentrification Embedding a community partner in the deal translates into enhanced communities through investments that improve quality of life in the economic development area. Community partners also help collaboration with local government.

One type of community partner is a community development corporation (CDC). Investment vehicles recognize that CDCs have the local insight to transform neighborhoods and promote companies that are both economically viable and benefit the community. CDCs also bring relationships with local government. In doing so, CDCs help get investments to scale—allowing for neighborhoods to be significantly improved in the interests of the community. The partnerships empower CDCs, as well as other community partners, to foster further investment in the community. These organizations serve an important role in ensuring that the urban equity real estate investment or venture capital fund incorporates the needs of the community and realizes social returns.

### Linking the Investment Vehicle to the Community

Economic development consultants can be instrumental in bringing the community into the transaction. The consultant is a connector between investors and the local community organizations. As a result, they help formalize the role of the community partner to ensure that the social returns embedded in the project are realized. An example of such a consultant is Economic Innovation International Inc., known as a "fund builder" in the community-based investing industry. The firm was founded in 1971 to identify and build market solutions to social problems. Since 1997, Economic Innovation has been building what the industry refers to as "double bottom line" private equity funds and has built more than $2 billion of these funds, which have both a financial and a social objective (www.economic-innovation.com).

Economic Innovation International structures the fund so that the not-for-profit sponsor is embedded in the operating agreement and shares in the fund's management fee and carried interest. The sponsor is considered a "special limited partner" (in a Limited Partnership legal framework) or "special member" (in a Limited Liability Company legal framework) of the fund depending on how the fund is organized. This not-for-profit sponsor can often be the "community development catalyst" that may identify the development site, seek out the joint-venture developer, or provide technical assistance (Flynn et al. 2007).

Economic Innovation has created a model that includes a not-for-profit sponsor organization, a community partner in place to monitor and ensure that the social returns are realized. Economic Innovation has built several regional families of funds often working in partnership with economic development consultants (Strategic Development Solutions, Sustainable Systems, and Economics Research Associates). The firm contributes to feasibility studies for assessing the level of market demand in the region in order for an investment to achieve risk-adjusted market rates of return.

The first private equity fund incorporating a not-for-profit sponsor model in a contractual arrangement with the for-profit fund manager was Genesis LA. Genesis LA was formed in 1998 by Los Angeles Mayor Richard Riordan and Deputy Mayor Rocky Delagillo after the 1992 LA Riot and the 1994 Northridge earthquake. The not-for-profit sponsor corporation was formerly established in 2000. According to former president and CEO of Genesis LA, Deborah La Franchi, "Genesis LA currently has seven funds with more than $450 million of capital under management with a pipeline of over $1.5 billion in deals. The partnership with fund managers supports a full time professional staff of more than eight without any public or charitable support."

The Bay Area Family of Funds is another example of the not-for-profit sponsor model in a contractual arrangement with a for-profit fund manager. One of the funds is the JP Morgan Bay Area Equity Fund (BAEF), a venture capital fund investing in companies in consumer products and services, technology, clean-tech, and health-care fields.[6] BAEF is part of a "regional" investment initiative in that it aims to foster local business ventures linked to the larger regional economy. In other words, companies that receive investments should connect urban areas to regional, national, and global economic activity (Flynn et al. 2007). The fund's social mission includes providing entry-level jobs for low- and moderate-income community residents, as well as staff benefits, health care, financial literacy, and equity sharing (Office of the Comptroller of the Currency 2005).

For-profit equity real estate funds also work with community partners. Urban Strategy America Fund, a New Boston Real Estate Fund (through its Olmsted Green project), has partnered with a local community development corporation, Lena Park CDC. In this example, the CDC played a vital role in project development, working directly with the local community.

6 The JP Morgan Bay Area Equity Fund (BAEF) is part of the Bay Area Family of Funds that also includes a real estate fund; Bay Area Smart Growth Fund (SGF) and the Bay Area California Environmental Redevelopment Fund (CERF). The not-for-profit sponsor is the Bay Area Council.

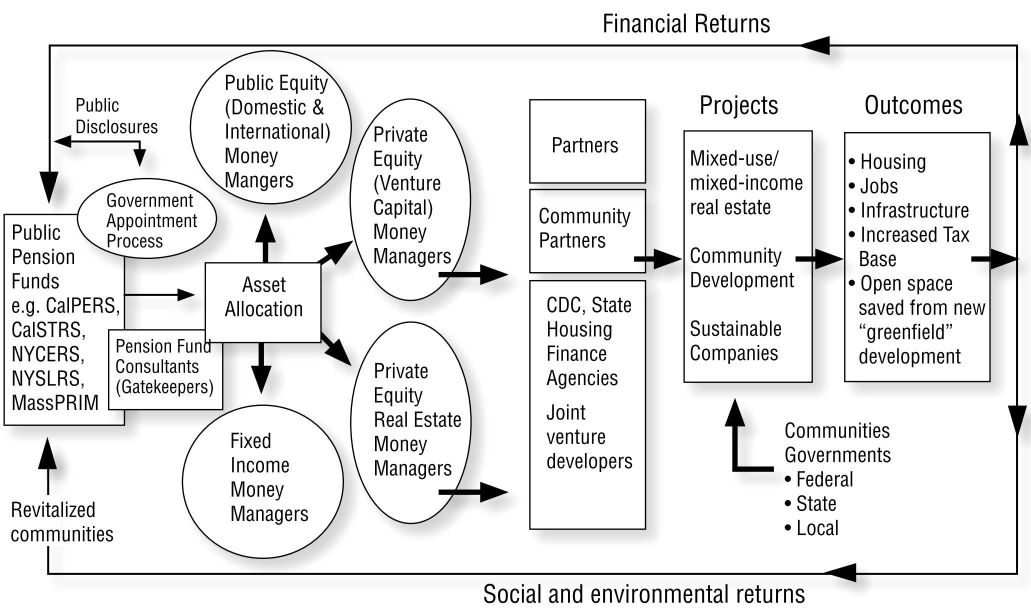
The CDC has a 35-year history of serving the community and provides affordable housing and human services to low-income families in Dorchester, Mattapan, and Roxbury, Massachusetts. The Olmsted Green project in Mattapan broke ground in May 2006 and will provide workforce housing, youth programs, and community and healthy living centers–a holistic "cradle to grave" community development projects. Lena Park was instrumental in designing programs and resources to benefit local residents based on their long-standing history in the community.

Finally, funds can join with other community partners, which can include state or city housing agencies such as the City of New York's Department of Housing Preservation and Development, national housing advocacy groups, joint-venture developers, and economic development organizations. In many cases, developers of significant projects negotiate with neighborhood community groups to form partnerships through Community Benefits Agreements (CBA)—contracts that include concessions such as a day-care center, a new park, and even cash that is directly administered by the community group (New York Times, June 14, 2006). CBAs provide a mechanism for the community partner to leverage its position and ensure that development decisions deal with a wide range of social and economic issues (such as transportation, jobs, and housing).

## Bringing All the Pieces Together

Figure 1 illustrates how the flow of money reaches the underserved community. In the diagram we see both the link between the public pension funds, the investment vehicles, and the community partners.

*Figure 1. Flow of money to the community*




*Source: Hagerman (2007) modified from original Clark and Hebb (2004).*

## How Funds Invest: Types of Investment Vehicles

Pension funds invest in urban revitalization through investment vehicles that act as a channel for large institutional dollars to flow into the urban economic development areas. Pension funds invest in investment vehicles through three asset classes: fixed income (including credit enhancement), equity real estate, and private equity (early- and later-stage venture capital):

1. Fixed Income is a debt-based real estate and small business development finance product investing in affordable housing through construction loans and permanent loans, job-creation programs, and mortgage-backed securities. Additionally, in the case of the credit enhancement product, a pension fund will "loan" its credit rating to a municipality or state agency for a fee. This allows the agency to access capital at a lower cost. Fixed income is generally the easiest option for a pension fund to adopt because investing in mortgage-backed securities is often already a part of its fixed-income strategy.
2. Equity Real Estate is a real estate finance product investing in the potential growth in market value of the investment property. Investments are made in mixed-use, mixed-income greyfields (urban infill development) and brownfields (clean-up of environmentally contaminated properties). Pension fund investing in equity real estate is a more established form of community-based investing and it is the one that has seen the greatest impact on urban revitalization.
3. Private Equity (early- and later-stage venture capital, and often mezzanine capital) is the business finance product investing in mission-oriented companies (consumer products, health care, technology, and women and minority-owned firms in or near low-moderate income areas) at the early stage of the company's development and the expansion stage of the company. Private equity (business finance) is an emerging vehicle for pension funds to invest in urban revitalization.

Table 1 provides examples of the types of investment vehicles organized by asset class. The funds listed are mission-oriented funds that seek to achieve first and foremost a high financial return and, second, community benefits. In this sense they are often referred to as double-bottom-line funds. However, pension funds tend to refer to them as funds that target economic development or underserved capital markets.

The table profiles a small selection of investment vehicles to give the reader an idea of the types of funds offered across fixed income, equity real estate, and private equity (early- and later-stage venture capital). The table shows the fund name, date founded, and how it is structured. In terms of the fund structure, the table includes both for-profit and nonprofit entities. Some vehicles are legally organized through a contractual model in which a for-profit fund manager contracts with a nonprofit sponsor. In another example, the ownership model occurs, in which the nonprofit community organization owns the for-profit fund manager. In other cases, the for-profit fund manager is structured as its own entity and a registered investment advisor. Funds can be legally organized as limited liability companies or limited partnerships.

The table specifies what type of product the firm invests in and where, either national or in a specific region of the country. Fund assets, where available, are detailed along with financial and social results. In many cases for-profit fund managers do not publicly disclose their financial returns. The projects outlined as examples are meant to give the reader a practical understanding of the types of investments and how they produce on-the-ground community development, whether in housing, mixed-use/mixed-income real estate, or mission-driven companies.[7]

*Table 1. Fixed income, equity real estate, and private equity example funds*
*Source: Senior management and websites listed in Hagerman et al. 2007.*

| Fixed Income Funds | | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name & Date Founded** | **Structure** | **Geography & Product** | **Assets** | **Investors** | **Example Project** | **Fund Results** |
| Access Capital Strategies LLC (1997) | For-profit fund manager and registered investment advisor | National (geography designated by investors): mortgage and asset-backed securities | $600 million | Banks, Public Pension Funds (MassPRIM, NYCERS), Churches, Foundations, Insurance Companies, and State Agencies | Holyoke Health Center: Access Capital Strategies worked with the Massachusetts Housing Investment Corporation (MHIC) to provide the Holyoke Health Center – a community health center in a medically underserved area of Holyoke, MA – with a loan of $9.4M to enable the Center to expand health care and services while giving them a more efficient capital structure. | Returns are gross, annualized, as of 12/31/06<br>1Yr: 5.43%<br>3 Yr: 4.42%<br>5 Yr: 5.06%<br>Since Inception: 5.83%<br>Over a 5 year period gross returns have consistently met or exceeded the Lehman Aggregate Benchmark.<br>Community Impact: Since inception, the Fund has supported 8,408 low- to moderate-income homebuyers, 4,474 affordable rental housing units, 147 small business loans, and 1 community health center. |

7 The funds profiled are a small selection of the funds in this growing industry. The description of funds is not an offer or solicitation by the funds and should not be construed as such. The funds are listed in alphabetical order and "other funds" is meant to highlight that the industry includes a wide range of fund types; by no means are they all-encompassing. Reference to the public pension fund websites and annual reports provide larger listings of private equity managers (e.g., CalPERS Alternative Investment Management program, New York State and Local Retirement Systems Annual Financial Report). The following is merely for research purposes. The information came from personal interviews and communications between the author and fund managers and reference to fund websites or annual reports. Information is current as of 2007, except where noted.

| Fixed Income Funds | | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name & Date Founded** | **Structure** | **Geography & Product** | **Assets** | **Investors** | **Example Project** | **Fund Results** |
| AFL-CIO Housing Investment Trust (1981) | Common law business trust registered under the investment company act of 1940. Approximately 94% of the non-cash investments are insured or guaranteed by the U.S. government or a government-sponsored enterprise | National: financing for development, rehabilitation, or preservation of real estate, construction and permanent financing, fixed or floating rate forward commitments, secured bridge loans | $3.6 billion in net assets | Taft-Hartley funds, public pension funds | Victory Center of Roseland, Chicago, IL<br>Working with the Illinois Housing Development Authority (IHDA), the Trust made an $8 million financial commitment for construction of the $20.7 million Victory Center of Roseland Supportive Living Facility. Residents of the 124-unit facility are very low-, low- and moderate-income elderly who are able to take advantage of a wide array of services. The building's ground floor has 10,000 square feet of community space.<br>HIT Investment: $8.05 million. | Annualized net returns for period ending 10/31/06 10yr: 6.57%, 5year: 4.8%, 3 yr: 4.02%, 1yr; 5.43% (consistently outperformed Lehman Aggregate Bond Index). Over past 10yrs created or preserved over 37,000 units of multifamily housing in 175 projects nationwide, 65% of which were affordable to low-moderate income households. 100% union labor construction on projects it finances. |
| Community Capital Management (formerly CRA Fund Advisors) (1998) | For-profit fund manager and registered investment advisor | National (geography designated by investors): mortgage & asset backed securities, taxable municipal bonds | $825 million in assets under management as of 9/30/2006; $1.85 billion of economically- and geographically-targeted investments made since 1999 | Banks, MassPRIM, foundations, state agencies, insurance funds | Tuscan Place Apartments is a Low Income Housing Tax Credit property located in Miami, Florida where 47% of the 199 units are restricted to families with incomes at or below 50% of area median income. The balance of the units (53%) are restricted to families with incomes at or below 60% of area median income. The property offers Welfare to Work programs through the Edgewater One Stop Career Center; First-Time Homebuyer seminars and job training. In addition, the property will include a library and playground for kids. | Annualized net returns for period ending: 7-Year 6.11%, 5-Year, 5.02%, 3-Year, 3.67%, 1-Year 4.05%, 4Q2006 1.12%: Since Inception 5.82% (consistently outperformed the Lehman Aggregate Bond Index). As of 12/31/06:128,000 affordable rental housing units, 4,600 home mortgages for low- to moderate-income individuals, $30.5 million in affordable health care facilities, $139 million in community development, $296 million in down payment assistance and statewide homeownership programs, $93 million in job creation and job training programs. |
| Community Preservation Corporation (1974) | Ownership model, the Community Preservation Corporation (CPC) is a not-for-profit community development mortgage lender that owns a for-profit subsidiary, CPCR | 5 boroughs of NYC, Hudson Valley, upstate NY, New Jersey: financing low, moderate, and middle income communities | As of fiscal year ended 6/30/2006: CPC closed $674M in new financings. In 32 year history $5.4 billion in public-private debt. Accumulated fund balance $65.3M (acts as FHA approved lender & seller/servicer for Fannie Mae & Freddie Mac) | Banks and savings institutions, insurance companies, churches, Fannie mae, Freddie mac and public sector pension funds (NYCERS, NYC Police, NYC Fire, NYC Teachers, and New York State Common) | The Imperial (Crown Heights, Brooklyn) is one of six buildings containing 72 units financed by CPC for $12.4 million. In addition to CPC's construction financing, HPD provided 1% funding. This restored building consists of 35 rental units, of which 25% will be affordable to households earning no more than 50% of area median income. 50% will be affordable to low-income households earning no more than 60% of area median income (CPC 2006 Annual Report). | In 2006 financed preservation and development of over 6,700 housing units representing over $670 million in 317 separate transactions. In its 32-year history 117,000 units of housing representing $5.4 billion in public-private debt to low and moderate income markets. |

| Equity Real Estate Funds | | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name & Date Founded** | **Structure** | **Geography & Product** | **Assets** | **Investors** | **Example Project** | **Fund Results** |
| Bay Area Smart Growth Fund I Pacific Coast Capital Partners (fund manager) (2001) part of the Bay Area Family of Funds | Contractual model, for-profit fund manager (PCCP) contracts with the not-for-profit fund sponsor (Bay Area Council) | Ten county Northern California Bay Area: mixed-use mixed-income real estate. | Fund I: $66M | Banks, insurance companies, private foundations, and individual investors | SGF Marin City Gateway Retail Center (GRC), a shopping center (national chains) surrounded by more prosperous areas. SGF invested $7.1 million in partnership with the Marin City Community Land Corporation (MC-CLC) that bought out the real estate partner. Revenues from the property now flow through MCCLC and profits are used to fund community projects such as the development of a garden, playgrounds, ball fields, and a library. Excerpt from OCC Report, "Bay Area Funds Focus on Double Bottom Line" | Financial returns not disclosed. Social returns: • 111 permanent jobs created, 930 jobs projected, and 1010 jobs preserved for a total of 2,051 permanent jobs • 809 for-sale homes being built or renovated, with at least 230 units affordable to purchasers at 80% of area median income or lower • 585,554 sq. ft. of new or upgraded retail development and 577,000 sq. ft. of new or upgraded office/light industrial development • construction projects utilized green construction measures |
| Cherokee Investment Partners (1993) | For-profit fund manager model with a nonprofit affiliate | National and International: remediation of environmentally impaired sites. | Fund I (1995): $50M Fund II(1998) $250 M Fund III (2002) $620M, and Fund IV (2006) $1.2 billion | Pension funds (public and private), insurance companies, university endowments | Cherokee Denver is a 50-acre mixed-use revitalization of a 2.3 million square foot former rubber manufacturing complex located in Denver, Colorado on the South Platt River near I-25. Cherokee will create a world-class, transit-oriented urban village on the site, integrating with existing neighborhoods and Denver's citywide assets. | Financial returns not disclosed. Social Returns: Through its work on 4,680 acres in North America and Europe, Cherokee will create an estimated 28,600 homes, 3.8 million square feet of retail space, 1 million square feet of office space and almost 3 million square feet of industrial space on formerly contaminated, underutilized land. Cherokee's brownfield redevelopment efforts have preserved approximately 20,000 greenfield acres to date. |
| CPC Resources (1992) | Ownership model, CPC Resources is a for-profit subsidiary of the Community Preservation Corporation (nonprofit manager) | 5 boroughs of NYC, Hudson Valley, upstate NY, and New Jersey: mixed-income, mixed-use projects infill construction. | Opportunity Fund I $42.5M, Opportunity Fund II $93M | Banks, insurance companies, pension funds | $6 million investment in former 11 acre Domino sugar processing plant in Williamsburg, Brooklyn (waterfront). Site to feature affordable housing, open public space, community facilities, and waterfront esplanade. Completed (10-year project): renovation and revitalization of the 12,271-unit Parkchester condominium joint venture was formed, Parkchester Preservation Company (PPC), to acquire 6,361 unsold residential units, 500,000 square feet of commercial space and five parking garages. | Financial returns not disclosed. Social returns: As of June 2006 completed or under construction 1,100 units in 30 projects. Recently completed the 12, 271 unit Parkchester redevelopment. Developments with 4,500 more housing units are in various stages of planning. |

| Equity Real Estate Funds | | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name & Date Founded** | **Structure** | **Geography & Product** | **Assets** | **Investors** | **Example Project** | **Fund Results** |
| UrbanAmerica (1988) | For-profit fund manager model | National: Class A development, retail, office, mixed-use (including a residential component) and ground up development. | Fund I $120M net assets, Fund II $400M net assets | Public pension funds, ERISA pension funds, banks, insurance companies, foundations and high net worth individuals | Eastover Shopping Center, Oxon Hill, MD, 249,047 SF shopping center acquired in 2000; Value add: · Increased rent at lease expiration for several tenants-Foot Locker rent increased 325%, Rainbow rent increased 85% · Consummated deal to bring full-service police station to site. Increased safety brings better tenants and more customers. | Financial results not disclosed. Social returns: permanent and construction jobs, and minority vendor services employed. |
| Urban Strategy America (USA Fund) (2005) a New Boston Real Estate Fund (1994) | For-profit fund manager model, subsidiary of established real estate company | East Coast: retail, office, residential, mixed-use and ground up development. | First Double Bottom Line Fund I: $170M | Pension funds (MassPRIM & CT), insurance companies, banks, foundations | Olmsted Green (former Boston State Hospital) will transform 42 acres in Boston to create homeownership opportunities, jobs, nursing care, training, and health and fitness facilities. Community partner is Lena Park Community Development Corporation. Project will be built in four phases over four years with an estimated total cost of $143.5 million. The infrastructure required for the project will be publicly financed, including $37 million of institutional development by others. | Financial returns not disclosed. Social returns: • Create housing for sale and for rent that address all levels of affordability, • Permanent & construction jobs, • Infrastructure to benefit the broader community (i.e. transit, traffic, utility) • Undertake projects of a scale that have a significant impact on community, • Create retail and office environments by blending local and national tenants to create stability and growth, • Empower local minority and women development entities by offering expertise and financing in a joint venture structure. • Develop and acquire "Green Buildings" that utilize sustainable and energy efficient technology. |

Other types of equity real estate funds: AFL-CIO BIT, American Ventures (Urban Initiatives Funds (South Florida, New Mexico)-mezzanine debt funds), Bridge Housing Corporation, California Urban Investment Partners, Canyon Johnson Urban Fund, City Investment Fund, CIM Opportunity Fund, Genesis LA Family of Funds (Real Estate Funds I&II, Workforce Housing Funds I&II), Kennedy Wilson, Lionstone Group, McFarlane Partners, Nehemiah Sacramento Valley Fund , San Diego Smart Growth Fund, Maryland Regional Workforce Housing Fund I, Portland Family of Funds, Phoenix Realty Group.

| Private Equity Funds | | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name & Date Founded** | **Structure** | **Geography & Product** | **Assets** | **Investors** | **Example Project** | **Fund Results** |
| Banc of America Capital Access Funds (1997) | For-profit fund manager model, a fund of funds | National: women, minorities, low & moderate income areas, & underserved markets. | N/A | Public pension funds | Asset allocation includes: Altos Ventures, Ascend Ventures, Fulcrum Capital Partners, Nogales Investors, Rustic Canyon/Fontis Partners, Syncom . | Financial results not disclosed. Social returns: job creation in low & moderate income areas, & underserved markets, women & ethnic minority ownership, employee benefits. |
| JP Morgan Bay Area Equity Fund, of the Bay Area Family of Funds (2003) | Contractual model, for-profit fund manager (JP Morgan) contracts with the nonprofit fund sponsor (Bay Area Council) | Ten county Northern California Bay Area: mission-driven companies - consumer products, technology, healthcare. | $75M | Banks, insurance companies, a public pension fund, private foundations, and individual investors | $2.2 million in venture capital to Elephant Pharmacy, it has generated 70 new entry-level jobs for the local community. The pharmacy is a start-up business, combining traditional pharmaceutical products with complimentary and alternative products. | Financial results not disclosed. Social returns: $11.8 million invested in 7 companies to date, producing 69 jobs.<br>• Launched a state, regional, and local effort to keep potential investment Solaicx, a solar company, in California to create over 350 jobs. |
| Oregon Investment Fund, a Credit Suisse Fund of Funds (2004) | For-profit fund manager model, a fund of funds, Delaware Limited Partnership | Oregon and the Pacific Northwest: growth of small businesses. | Fund-of-funds: $105M | Oregon Public Employees Retirement Fund (as directed by HB 3613) | Sherbrooke Capital: focuses on the health and wellness sector. This fund invests in areas of both health (fitness and "wellness") and consumer products. Sherbrooke is designed to capitalize on these areas in Oregon as well as throughout the country. | Financial results not disclosed. Social returns: job creation in Oregon and Pacific Northwest. |
| SJF Ventures (1999) | For-profit fund manager model, with a not-for-profit affiliate, SJF Advisory Services | Primarily Eastern U.S.: mission-driven companies focus in clean tech, consumer health products. | Fund I (1999) : $17.1M Fund II (2006): target $30M | Banks, community finance trade organizations, foundations, individual investors, state agencies | Representative companies include: Intechra (Jackson, MS), providing IT asset disposition services and electronics waste recycling nationwide (200 employees); Ryla Teleservices (Kennesaw, GA), a contact center using an engaged workforce to deliver quality call center services domestically (375 employees); Home Bistro (Plattsburgh, NY), direct mail gourmet frozen food (89 employees). | Financial results not disclosed. Social returns: Over 1,200 good paying jobs created since SJF investment, of which 67 % are from minority groups and 77 % are women. 71 % of the jobs created by SJF portfolio companies are entry-level positions; 75% of SJF portfolio companies pay 50% or more of health care premium costs. Eight companies have implemented broad-based stock option plans. Environmental benefits include electronics waste recycling, energy efficiency consulting, solar energy installation, reduced water and fertilizer use by vegetable growers and nurseries. |

Other types of private equity funds, community development, fund of funds: CDVCA Central Fund, CEI Ventures, Credit Suisse First Boston Customized Funds (NY Common Co-Investment Fund), DFJ New England, Easton Hunt Capital Partners, High Peaks Venture Partners, NY Co-Investment Program (Hamilton Lane), Nogales Investors, Pacific Community Ventures, Yucaipa Companies.

## Benchmarking Financial, Social, and Environmental Returns

Community-based investing takes a holistic approach to investment that produces financial returns and an improved quality of life both for those in the revitalized area and for the pension fund beneficiaries. The investment returns include financial, social, and environmental outcomes. Financial returns are measured against industry benchmarks. Increasingly, social returns are also being quantified, as are the environmental outcomes (although universally accepted benchmarks are not yet in place). The social and environmental returns complement the financial returns and are now being tracked in some cases as rigorously as the financial outcomes.

Financial returns are measured through risk-adjusted (adjusted for illiquidity and risk of the investment) internal rates of return (IRR) and in investment multiples (for example, 2X—return of two times value of the initial capital investment). The IRR is interpreted as the expected return on the investment less the cost of capital and calculates what the investor would have earned over the time horizon of the investment.

In private equity, low or negative returns at the early stages of an investment are part of the "J-Curve" effect, when funds are incurring management fees and expenses but have not yet exited on the investment. When the investment venture has matured, the fund exits and the financial returns, net of management fees, are realized (Hebb 2005).

Most investments have well-established financial benchmarks. Indices such as the Lehman Aggregate Bond Index provide a benchmark for fixed-income investments. The National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index is used for benchmarking equity real estate fund performance. The benchmark, however, is meant for more stable, leased assets and has limitations in comparing value-added opportunistic real estate with inherent higher risk. There is no universally accepted industry index for private equity due to many factors such as timing issues, cash flows, and the absence of a standardized market (University of California 2005). Firms such as Thomson Financial Venture Economics can have success in gathering fund performance returns and placing investment vehicles in upper and lower quartiles and creating customized performance benchmarks for private equity funds.

Data on financial returns of targeted investments are slowly becoming available. For example, in the case of the fixed-income product, the NYCERS ten-year net return (as of the end of 2006) forward rate commitment program yielded 8.19 percent, outperforming the established benchmark of the Lehman Aggregate Bond Index of 6.24 percent (NYC Comptroller's Office, Office of Economically Targeted Investments).

Within real estate, a CalPERS recent investment committee report (April 2007) referred to overall real estate returns and the CURE initiative. The report stated that "by September 30, 2006, CalPERS' trailing one-, three-, and five-year returns outperformed the NPI (NCREIF

Property Index) by 10 to 17.2 percent. Much of this outperformance can be attributed to strong returns in the Core, Housing, and CURE programs."[8] Within private equity, CalPERS reported (March 2007) in a press release that on the California Initiative the one-year net return of 5.6 percent was in line with Venture Economics Median returns for private equity, although it noted that investments were still too young for meaningful results.[9] One of the funds invested in through the California Initiative is Green Equity Investors III, L.P. with performance returns of a net IRR of 22.5 percent and an investment multiple of 2.3X.[10]

The social metrics are being measured, and while there is not yet any standardization, funds are beginning to define and report on the nonfinancial returns (Clark and Rosenzweig et al. 2004). The Community Development Venture Capital Alliance has produced a promising start with its "Measuring Impacts Toolkit" (CDVCA 2005), which guides firms on the process of measuring social impacts. Other funds engaged in measuring the social impacts include the Banc of America Capital Access Funds, CEI Ventures, Pacific Community Ventures, and SJF Advisory Services.

Social benefits to a community also can be made explicit through a CEO letter of intent that locks in the commitment to realize the employee and community benefits. . For example, SJF Ventures Fund codifies its commitment to social goals through a "Community Development Assessment" performed with the company prior to investment. During the assessment, SJF's not-for-profit affiliate, SJF Advisory Services, looks at ways they can assist the company with employee benefits (health-care and wealth-creating packages) and potential training grants (Broughton 2006).

Environmental benefits are now being tracked too. For example, Cherokee Investment Partners uses its Environmental Management System to assess its performance against environmental policies, objectives, targets, and other environmental criteria. As stated by the firms' senior management:

> Cherokee's Environmental Management System is ISO 14001:2004 and certified by the International Organization for Standardization for environmental management. In addition, the company's annual Sustainability Report summarizes progress on key environmental and social performance indicators. One such indicator is the number of contaminated acres that Cherokee cleans up and redevelops, which corresponds to the number of acres of open space saved from new "greenfield" development. (Cherokee Investment Partners 2005)

Cherokee and other investment firms are also tracking green certification on individual buildings. Buildings can be measured for their environmental impacts and receive a green

8 CalPERS Investment Committee Report April 16, 2007 Global Real Estate (http://www.calpers.ca.gov/index.jsp?bc=/utilities/search/search.xml.

9 http://www.calpers.ca.gov/index.jsp?bc=/about/press/pr-2007/march/initiative-program.xml.

10 As of September 30, 2006. http://www.calpers.ca.gov/index.jsp?bc=/investments/assets/equities/aim/private-equity-review/aim-perform-review/home.xml.

building certification validated by external third-party systems such as the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED). LEED is a nationally accepted benchmark for the design, construction, and operation of successful green buildings per the U.S. Green Building Council.[11] Investment vehicles are incorporating green construction certification into their investment criteria. Investments are being made in companies with clean technology objectives and real estate developments incorporate public transportation links aimed at reducing traffic congestion.

## Conclusion

Lessons learned show that pension funds need investment and community partners to place large pools of institutional capital in the underserved emerging domestic markets. These intermediaries enable pension funds to invest in smaller underserved communities that lie outside traditional streams of investments. We argue that financial and community intermediaries provide expertise to achieve both financial and social returns. They help by structuring investment vehicles that serve a market niche and are able to source deals along with community partners.

Investments can take different forms. Pension funds do not take excessive risk and the first entry point to targeted investing is through fixed income that may include a government guarantee. Equity real estate and private equity deals are riskier investments in which investment vehicles overcome market barriers, pool assets, and spread risk to yield the targeted returns to the public pension fund.

Our research shows that investments that fall outside a selection process, without a formal request for proposals (RFP), can be politically motivated and prone to failure. Targeted investments that are programmatic and select investment vehicles through a formal competitive bidding process are most likely to succeed. For example, in order to reduce staff time taken away from the core portfolio, the MassPRIM board adopted a policy to go to market once a year with an economically targeted investment (ETI) Request for Proposal (RFP). It has since issued two ETI RFPs, one in December 2005 and another in 2006. The process includes checks and balances (among the search committee, investment committee, and full board) that block political interference (Hagerman et al. 2006). Such practice in the selection of investment vehicles follows the prudent investor rule and, first and foremost, trustee and staff's fiduciary duty to achieve competitive risk-adjusted rates of return.

Achieving good financial, social, and environmental returns and measuring them are essential for the growth of targeted investments. The success of an investment vehicle is measured through internal rates of return measured against established benchmarks. The benchmarks are meant as a comparison or a way to judge against an existing agreed-upon

11 "LEED promotes a whole-building approach to sustainability by recognizing performance in five key areas of human and environmental health: sustainable site development, water savings, energy efficiency, materials selection, and indoor environmental quality" (http://www.usgbc.org/DisplayPage.aspx?CategoryID=19).

industry standard. The difficulty in the emerging domestic markets (equity real estate and private equity funds) is that an agreed-upon industry standard does not necessarily exist. Not being able to benchmark investment vehicles in the private equity markets satisfactorily, in comparison to the established public markets, is a challenge, although consulting firms are producing customized benchmarks and analysis.

On the social impacts, there is no universally accepted industry yardstick to date for testing how well an investment vehicle performs on its targeted social returns. However, funds can measure their results against national living wage statistics, national figures of employee-based health-coverage plans, and the percentage of women and minority managers against national and state business ownership as seen in the case of Pacific Community Ventures reporting for CalPERS (2007).

Success in this area shows that the institutional investor and investment vehicle form a symbiotic relationship that allows for scale to both effectively transform neighborhoods and yield financial returns to the institutional investor. Without these intermediaries, large pools of capital would not be placed in the economic development area. The institutional investor relies on the investment fund manager for its expertise in successfully deploying capital to deliver both the financial and ancillary benefits.

Investment vehicles described in this study are successful conduits for pension fund's seeking competitive market rates of return in the emerging domestic markets.[12] As more pension funds take up this strategy of investing in economic development, we expect to see more investment vehicles established rather than a consolidation of funds. New investment vehicles are continually being formed as firms compete for pension fund dollars and seek profitable returns in the underserved markets. Regional investment vehicles offer pension fund investors the ability to achieve scale through a diversified fund and reciprocal targeted investing possibilities. Alternatively, state-based investment vehicles assure pension fund investors that the fund will invest the majority of the dollars in their state. It is too early in the creation of this industry to make an assessment on which model is more effective for the institutional investor.

Looking ahead, we recognize that relationship building among institutional investors, investment vehicles, and community partners is essential. The community partner is the entity that knows the local community and is able to think about the investment in terms of success for the community and its residents. Without the knowledge and influence of the community partner, we can often see gentrification rather than revitalization.

12 These investments are now considered to be part of the third generation of community based investing. The first and second generation included a heavier reliance on government guarantees, subsidies, and acceptable lower rates of return. In the emerging third generation urban economic development is recognized as an economic opportunity seeking market rates of return. Daniels and Nixon (2003) set forth the three generations of community based investing in the "Making markets work for inner city revitalization" paper presented at the Inner City Economic Forum in New York.

The community-based investing industry is growing as fund managers seek opportunities in the emerging domestic markets. As the industry matures, investment vehicles will continue to link pension funds to urban revitalization. As we look forward, we anticipate more pension funds adopting targeted investment policies, issuing RFPs, and placing capital into the emerging domestic markets through investment vehicles.

The ability to transfer ideas into action through dissemination of information among a cross section of stakeholders is vital. Research projects such as the Pension Funds & Urban Revitalization Initiative sponsored by the Rockefeller and Ford Foundations bring together pension fund officers and trustees, investment vehicles, and community partners. We are already seeing more municipalities making investments and new retirement systems adopting policies modeled after current system's policies, such as in the case of the Vermont Pension Investment Committee adopting a policy in August 2006 modeling MassPRIM's targeted investing criteria (Hagerman 2006).[13]

The outlook for increased investment by public-sector pension funds in the emerging domestic markets is bright as investment vehicles compete for institutional capital and source difficult deals in the underserved communities. We hope that further outreach to pension fund trustees and officers will bring awareness and more large institutional capital into emerging domestic markets through necessary partnerships with both the investment vehicles and community partners as the link to the revitalized urban area.

*Lisa A. Hagerman is a DPhil Candidate in Economic Geography at the University of Oxford and a researcher for the Pension Funds & Urban Revitalization Initiative of the Labor & Worklife Program of the Harvard Law School. The research is supported by the Rockefeller and Ford Foundations.*

*Gordon L Clark (DSc, Oxford) was appointed the Halford Mackinder Professor of Geography at the University of Oxford in 1995 and is currently the Director of the Oxford University Centre for the Environment. He is also affiliated with Oxford's Institute of Ageing, and is a Senior Research Associate in the Labor and Worklife Program of the Harvard Law School.*

*Tessa Hebb (DPhil, Oxford) is a Senior Research Associate at both the Labor and Worklife Program of the Harvard Law School and the School of Geography at the Oxford University Centre for the Environment, University of Oxford.*

13 Mass PRIM adopted its ETI policy after Massachusetts State Treasurer Cahill's transition team contracted McKinsey & Company to conduct a pro-bono study to evaluate ETIs modeling former California State Treasurer Phil Angelides's "California Initiative" (Hagerman et al. 2006).

## References

Broughton, C., and A. Klein. 2006. SJF Advisory Services Mission Impacts Report, http://www.sjfund.com/index.php?id=18.

CalPERS. 2005. Statement of Investment Policy for Economically Targeted Investing, February 14, 2005, Sacramento.

CalPERS and Pacific Community Ventures. February 2007. California Initiative Impacting California's Underserved Communities: Taking a Second Look. http://www.calpers.ca.gov/eip-docs/about/board-cal-agenda/agendas/invest/200702/item05b-02.pdf.

Cherokee Investment Partners, LLC. 2005. Sustainability Report, http://www.cherokeefund.com/risk.html.

Clark C., W. Rosenzweig, D. Long, and S. Olsen. January 2004. Double Bottom Line Project Report: Assessing Social Impact in Double Bottom Line Ventures Methods Catalog, www.riseproject.org/DBL_Methods Catalog.pdf.

Clark, G. L. 2000. *Pension Fund Capitalism*. New York: Oxford University Press.

Clark, G. L. 2005. "Money Flows Like Mercury: The Geography of Global Finance." Geografiska Annaler: 87B (2): 99–12.

Clark, G. L., and T. Hebb. 2004. U.S. Public Sector Pension Funds and Urban Renewal. Project proposal presented to the Rockefeller Foundation, New York.

Community Development Venture Capital Alliance. 2005. Measuring Impacts Toolkit, New York.

Community Preservation Corporation. 2005. Corporate Overview, New York.

Daniels, B., and N. James 2003. Making markets work for inner city revitalization. Paper presented at the Inner City Economic Forum, New York.

Daniels, B., and Economic Innovation International, Inc. 2005. Market Assessment and Investment Strategy for a Maryland Community Development Fund. Boston.

Flynn et al. 2007. The Double Bottom Line Handbook: A practioner's Guide to Regional Double Bottom Line Investment Initiatives & Funds. (Forthcoming).

Hagerman, L., et al. 2007. Investment Intermediaries in Economic Development: Linking public pension funds to urban revitalization. Oxford University Centre for the Environment, WP 07-09.

Hagerman, L. December 2006. Summary proceedings of the Regional Investment Roundtable on Pension Funds & Urban Revitalization in Boston, MA. http://urban.ouce.ox.ac.uk/network/notes061206.pdf

Hagerman, L., et al. 2006. Massachusetts Pension Reserves Investment Management Board: Urban investing through a transparent selection process. Oxford University Centre for the Environment, WP 06-16.

Hagerman, L. et al. 2005. Pension Funds and Urban Revitalization: Competitive returns and a revitalized New York. Oxford University Centre for the Environment, WP 05-13.

Hebb, T. 2005a. California Case Study A: Private Equity CalPERS' California Initiative.

Oxford University Centre for the Environment, WP 05-15.

Hebb, T. 2005b. California Case Study B: Real Estate CalPERS' California Urban Real Estate Initiative. Oxford University Centre for the Environment, WP 05-16.

Massachusetts Pension Reserves Investment Management Board. December 2006. Request for Proposals Commonwealth of Massachusetts Based Economically Targeted Investments (ETI) Program Investment Management Services. Boston.

Merton, R.C. and Bodie Z. 2004. The Design of Financial Systems: Towards a Synthesis of Function and Structure. National Bureau of Economic Research, Working Paper 10620 http://www.nber.org/papers/w10620

New York City Employees' Retirement System. 2005. Economically Targeted Investment Policy. New York, New York.

New York State and Local Retirement System. 2006. Comprehensive Annual Financial Report for Fiscal Year Ended March 31, 2006. Albany, New York.

Office of the Comptroller of the Currency Administrator of National Banks. Summer 2005.

Community Developments Investments: Investment Intermediaries: Help Banks Achieve a Double Bottom Line. http://www.occ.treas.gov/cdd/eZine/summer05/index.html.

Romano, R. 1993. Public pension fund activism in corporate governance reconsidered. Columbia Law Review 93 (4): 795-853.

U.S. Department of Labor. 2004. Interpretive Bulletin Relating to the Fiduciary Standard under ERISA in Considering Economically Targeted Investments, title 29, volume 9, chapter XXV, 336. Washington, DC: U.S. Government Printing Office.

University of California, Office of the Treasurer. May 2005. 602 Benchmarks for Private Equity, Committee on Investments. http://www.universityofcalifornia.edu/regents/regmeet/may05/602attach pdf.