

Morgan Stanley Community Development

Public / Private Partnerships

Morgan Stanley Institute for Sustainable Investing

- Aims to mobilize capital to advance market-based solutions to economic, social and environmental challenges
- Focus areas
 - Sustainable Investing – Developing and facilitating access to financial products and strategies that enable sustainable investing at scale
 - Thought Leadership – Defining and pursuing a groundbreaking thought leadership agenda that will help mobilize capital to sustainable solutions and build capacity and best practices in the field of sustainable investing
- Select major initiatives
 - A five-year goal of \$10 billion in total client assets through the *Investing with Impact Platform*, which enables clients to choose investments that seek to deliver market-rate returns and positive environmental or social impact
 - An investment of \$1 billion to preserve and enhance quality, affordable housing in partnership with organizations such as Local Initiatives Support Corporation and Capital Impact Partners
- Strong internal and external leadership involvement – Advisory Board chaired by Morgan Stanley Chairman and CEO James Gorman and comprises prominent leaders from business, academia and leading non-governmental organizations

Morgan Stanley Community Development Guiding Principles

- Commitment to maximize to the greatest extent possible the scarce resources of our public sector and philanthropic partners
- Commit financial resources to programs and projects that enhance the quality of life of residents and communities
 - Environmental impact
 - Social services
 - Quality of design
 - Long term financial sustainability
 - Community assets
 - “No self storage facilities for people”
 - High quality, experienced team of community development practitioners
 - Take Wall Street to Main Street

Public/ Private Partnership Fundamentals

Public/Private Partnership is a basic tenet of Morgan Stanley's Community Development Lending & Investing

- Public/Private Partnership
 - Long term impactful community development capital cannot be effectively delivered absent:
 - Risk mitigants (Sub debt, etc.)
 - Financing cost subsidies (Tax exempt bonds, tax credits)
 - Zoning/Density variances
 - Understanding of roles played by regulated financial institutions and regulated public sector programs
 - Industry leaders with broad career paths including:
 - Private sector positions
 - Public sector positions
 - Non-profit/CDFI experience
 - Philanthropic Experience
 - Community Development as a career

Philanthropic Opportunities

- Create/Cause development of new products
 - Healthcare
 - Senior aging in place
 - Healthy foods
 - Disabled veterans
- Investment into demonstration/pilot initiatives
- Catalyst for change

Sector Responsibilities

- **Public Sector Responsibilities**
 - Engage private sector in design phase of programs
 - Determine priority of community needs
 - LIHTC process vs. NMTC process
 - Allow private sector discipline
 - Asset management
 - Adequate reserves
 - Design discipline
 - Loan underwriting expertise
 - Recycle public sector capital as quickly as possible versus long term crutch
- **Private Sector Responsibilities**
 - Long term program impact
 - Steward of scarce public sector resources
 - Should have risk/return profile comparable with other business lines
 - Should not create abnormally high returns via financial engineering

Morgan Stanley Models

- Morgan Stanley delivers Community Development capital via:
 - CDFI's (Community Development Financial Institution)
 - Non-profit syndicators of low-income housing
 - Government sponsored CDC's