Place-Based Impact Investing and Urban Planning

by

Akili Atherley

BSc (First Class Honours) (Accounting & Finance), University of the West Indies,

Cave Hill Campus, 2017

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Executive Summary

Impact investing is on the rise as investors look to redirect their funds into companies that have positive social and environmental objectives (Acevedo & Wu, 2018). However, with this obvious impact of impact investing on society and the environment and the fact that the goals of impact investing align with those of urban planning, not much is known about the part urban planners play within the impact investing ecosystem - if there is any part at all.

As such, this Supervised Research Project provides a comprehensive understanding and definition of impact investing and how urban planners might play a role in the impact investing ecosystem. This paper allows both researchers and practitioners to become informed on how the goals of impact investing and urban planning align and how they can be reached through collaboration between impact investors and urban planners.

Methods

To provide a comprehensive understanding of impact investing, the impact investing ecosystem, and the different roles of urban planners, a literature view was conducted (Chapter 3). A case study was then conducted to understand how impact investing currently functions within the context of the Social Impact Fund Rotterdam in the city of Rotterdam, the Netherlands using a combination of both published and grey literature (Chapter 4). Following the case study and literature review, this supervised research paper attempts to form a connection between impact investing and urban planning and offers recommendations for a collaboration between the two (Chapter 5).

Key Takeaways and Recommendations for Further Study

What is impact investing and how can urban planning practices accommodate it?

Impact investing aims to generate a positive social and environmental return or impact while still aiming to generate a positive financial return. An emerging branch of impact investing is place-based impact investing which focuses investment efforts in one particular city or region (Schramade, 2019). This research paper found that place-based impact investments are a form of community economic development in the sense that they create economic opportunities that improve social conditions, especially for those who are socially vulnerable. As such, planners can aid place-based impact investors by bringing community residents from disadvantaged groups together with social enterprises and impact investors where, together, they can choose economic development goals that benefit their communities and establish how they can accomplish those goals with impact investments. Planners can also aid impact investors through using geographic information systems (GIS) to map out communities in need, conducting needs assessments, and pooling together different stakeholders to form an improved impact investing ecosystem to make for a better impact. Planners can also accommodate the industry by promoting and advocating for policies that improve the enabling environment for impact investing.

Recommendations for further study and actions researchers, impact investors, and planners may take to accommodate the impact investing industry

- Understanding the perspectives of impact investors, social enterprises, and urban planners to get an account of how they work together within the impact investing ecosystem and the roles each entity plays

- Understanding the perspectives of community members to identify local needs and how such needs may be addressed with impact investments
- Understanding the perspectives of urban planners to assess the potential benefits of impact investing in the planning process

Résumé

L'investissement d'impact est à la hausse alors que les investisseurs cherchent à rediriger leurs fonds vers des entreprises qui ont des objectifs sociaux et environnementaux positifs (Acevedo & Wu, 2018). Cependant, compte tenu de cet impact évident de l'investissement d'impact sur la société et l'environnement et du fait que les objectifs de l'investissement d'impact sont alignés sur ceux de l'urbanisme, on ne sait pas grand-chose sur le rôle des urbanistes dans l'écosystème de l'investissement d'impact, s'il y a une partie quelconque.

À ce titre, ce projet de recherche supervisée fournit une compréhension et une définition complètes de l'investissement d'impact et de la façon dont les urbanistes pourraient jouer un rôle dans l'écosystème d'investissement d'impact. Ce document permet aux chercheurs et aux praticiens de s'informer sur la façon dont les objectifs de l'investissement d'impact et de l'urbanisme s'harmonisent et comment ils peuvent être atteints grâce à la collaboration entre les investisseurs d'impact et les urbanistes.

Méthodes

Afin de fournir une compréhension et une définition complètes de l'investissement d'impact, de l'écosystème d'investissement d'impact et du rôle des urbanistes, une vue documentaire a été réalisée (chapitre 3). Une étude de cas a ensuite été réalisée pour comprendre comment l'investissement d'impact fonctionne actuellement dans le contexte du Social Impact Fund Rotterdam dans la ville de Rotterdam, aux Pays-Bas, en utilisant une combinaison de littérature publiée et grise (chapitre 4). À la suite de l'étude de cas et de la recension des écrits, ce

document de recherche supervisée tente de faire le lien entre l'investissement d'impact et l'urbanisme et propose des recommandations pour une collaboration entre les deux (chapitre 5).

Principaux points à retenir et recommandations pour une étude plus approfondie

Qu'est-ce que l'investissement d'impact et comment les pratiques d'urbanisme peuvent-elles l'accommoder?

L'investissement d'impact vise à générer un rendement ou un impact social et environnemental positif tout en visant un rendement financier positif. Une branche émergente de l'investissement d'impact est l'investissement d'impact local qui concentre les efforts d'investissement dans une ville ou une région particulière (Schramade, 2019). Ce document de recherche a révélé que les investissements à impact local sont une forme de développement économique communautaire en ce sens qu'ils créent des possibilités économiques qui améliorent les conditions sociales, en particulier pour les personnes socialement vulnérables. À ce titre, les planificateurs peuvent aider les investisseurs d'impact locaux en réunissant des résidents de groupes défavorisés avec des entreprises sociales et des investisseurs d'impact lorsque : ensemble, ils peuvent choisir des objectifs de développement économique qui profitent à leurs collectivités et déterminer comment ils peuvent les atteindre grâce à des investissements d'impact. Les planificateurs peuvent également aider les investisseurs en utilisant des systèmes d'information géographique (SIG) pour cartographier les collectivités dans le besoin, effectuer des évaluations des besoins et regrouper différents intervenants afin de former un écosystème d'investissement d'impact amélioré pour avoir un meilleur impact.

Les planificateurs peuvent également accommoder l'industrie en faisant la promotion et en préconisant des politiques qui améliorent l'environnement propice à l'investissement d'impact.

Recommandations d'études et de mesures supplémentaires que les chercheurs, les investisseurs et les planificateurs pourraient prendre pour tenir compte de l'industrie de l'investissement d'impact

- Comprendre les perspectives des investisseurs d'impact, des entreprises sociales et des urbanistes pour obtenir un compte rendu de la façon dont ils travaillent ensemble au sein de l'écosystème d'investissement d'impact et les rôles de chaque entité
- Comprendre le point de vue des membres de la collectivité pour déterminer les besoins locaux et la façon de répondre à ces besoins au moyen d'investissements d'impact
- Comprendre les perspectives des urbanistes pour évaluer les avantages potentiels de l'investissement d'impact dans le processus de planification

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Chapter 1. Introduction

As concerns over environmental issues and social justice rise, many are starting to reevaluate their environmental and social footprint. Households are encouraged to participate in citywide recycling initiatives, individuals have taken to the streets to protest against issues such as housing unaffordability, and countries, like Barbados, have attempted to ban the use of single-use plastics in an attempt to foster and promote more sustainable practices.

It is no surprise that sustainability is rising to the top of the agenda in the global business environment. Specifically, an increasing number of individuals and institutions within the financial sector are starting to reconsider where they direct their funds - causing a shift away from a profit-driven approach to an impact-first approach to investing. As such, responsible investing has risen in prominence as both a term for and the practice of various investment strategies.

One form of responsible investing is socially responsible investing (SRI), which actively removes or chooses investments based on specific ethical guidelines, often rooted in the investor's religious, political, or personal beliefs (Zhou, 2021). An example of this would be an investor choosing to avoid any mutual fund that invests in companies engaged in the production of weapons because they hold anti-conflict beliefs (Zhou, 2021). Alternatively, an investor who believes in social justice would actively choose to invest in mutual funds or an exchange-traded fund (ETF) that invests in companies operated mainly by women.

Environmental, social and governance (ESG) investing is another form of responsible investing in which an investor or fund manager places their funds in public debt or public equity through mutual funds or exchange-traded funds to earn a market rate of return while investing in assets that score high on ESG factors (Hill, 2020).

Impact investing is similar to socially responsible investing, but it is more direct and focused on a specific social or environmental issue such as financial inclusion, education, affordable housing, renewable energy, or agriculture (Hill, 2020). An even more direct form of impact investing is place-based impact investing, which places its focus on investing in underserved areas of one particular city or region (Leung & Theodos, 2019; Schramade, 2019).

The definitions of the different responsible investing strategies highlight the ambiguity of this style of investing. Even though the four investment strategies are strategies with their own set of methodologies, there appear to be not many differences between them as they all seek to do the same thing - generate a positive environmental and/or social return. Perhaps, they are not necessarily mutually exclusive as their goals and methodologies seem to overlap. However, this supervised research paper places its focus on place-based impact investing because positive social and environmental outcomes in underserved communities are of the utmost importance (Zhou, 2021) and these outcomes would not occur but for the investment into social enterprises (Brest & Born, 2013).

With place-based impact investing and its obvious effects on society and the environment, not much research has been conducted on how it contributes to the goals of urban planning and development, which are to protect the environment, improve public health and safety and increase the wealth of choices made available to every citizen (Adegboyega, 2019). As such, this research paper attempts to fill the gaps in the literature by critically reviewing what currently exists in the literature in relation to how place-based impact investing and urban planning relate to each other. To achieve this, the following research questions will be addressed:

- What is place-based impact investing?
- How does place-based impact investing work in practice and what are its outcomes?
- Based on the findings from the first two research questions, how does place-based impact investing relate to urban planning and how can urban planning practices accommodate it?

These questions are addressed throughout three chapters in this supervised research project. In Chapter 3, a critical review of the literature will provide an understanding of place-based impact investing, how impact investing came about and the actors within an impact investing ecosystem, as well as an understanding of the roles of urban planners. Chapter 4, explores how place-based impact investing works in practice through case study research on Social Impact Fund Rotterdam. Based on the findings of both Chapters 3 and 4, Chapter 5 identifies how urban planning connects to place-based impact investing and offers recommendations for practitioners, impact investors, and urban planners, on how they can work together to achieve their common goals.

Chapter 2. Methodology

The research approach used in this paper is strictly qualitative and consists of a literature review and a case study based on grey and published literature.

To provide a comprehensive understanding and definition of impact investing, place-based impact investing, the impact investing ecosystem, and the role of urban planners, a literature review was conducted in Chapter 3. The literature review served as a foundation for the development of the rationale and focus of this research paper.

Following a review of the literature, a case study was then conducted to understand how impact investing currently works in practice. According to Yin (2014), case studies are used to investigate social phenomena and consist of researchers focusing on a ‘case’ to retain a real-world perspective. A ‘case’ in this instance, can be defined as a unit of human activity ingrained in the real world; which can only be studied or understood in context; that exists in the here and now and merges in with its context so that precise boundaries are difficult to draw (Gillham, 2000).

Yin (2014) has suggested that the more research questions aim to explain some present circumstance, such as ‘how’ or ‘why’ something works, the more that case study research will be relevant. This affirms the choice of case study research method for this paper as the research questions noted in chapter 1 seek to explain ‘how’ a social phenomenon, which in this case is place-based impact investing, works.

This case study aimed to provide a thorough examination of one case. It is acknowledged, however, that this case study cannot be generalized because it is hard to use one case that is representative of other cases. Especially within the context of impact investing and how arbitrary and ambiguous the field is, it is not possible to do so. The reasons for using one case study are outlined below and are based on the following three criteria:

1. Given that a key research objective is how urban planning practices can accommodate impact investing, the organization needs to have a place-based impact investing process in place
2. The organization must have capital placed in social enterprises
3. There must be adequate information available to the researcher about the organization

Social Impact Fund Rotterdam

The Social Impact Fund Rotterdam (SIFR) was selected as the case study for this research as it met all of the criteria identified above. It is a place-based impact investing fund based in the city of Rotterdam, Netherlands, a city plagued by social issues such as poverty and unemployment. It has its origins within the municipality of Rotterdam and has placed capital into social enterprises whose missions align with that of the Fund.

Chapter 3. A Critical Literature Review

3.1 Impact Investing

This section of the literature review will explore the concept of impact investing, its history, the stakeholders involved in the impact investing ecosystem, the impact investing process, and opportunities and threats to the impact investing industry.

3.1.1. Impact investing as responsible investing

Within the financial context, an investment is any asset or vehicle into which funds can be placed with the expectation that it will generate positive income (Gitman et al, 2015). Responsible investing, therefore, suggests that in addition to generating positive income or an increase in value, investors take a corporation's performance on environmental protection, social responsibility, and corporate governance (ESG) into consideration when deciding whether to invest (Gao et al, 2020). This derived from the emerging belief that investors have a responsibility to work proactively in addressing the environmental and social impacts of their investments as well as a growing recognition of the significance that these ESG factors have on influencing the decision-making process of different users of financial statements (Sullivan & Mackenzie, 2017).

One finding from the review of the literature is that there is no clear catchall label for investment strategies with a social and/or environmental purpose, highlighting the ambiguous and arbitrary nature of this field. In the literature, ‘sustainable investing’, ‘ESG investing’, ‘socially responsible investing, and most notably ‘responsible investing’, have all been referred to as an umbrella term. What’s more, ‘ESG investing’ and ‘socially responsible investing' are often distinguished as being investment strategies with distinct methodologies and goals, however, one can suppose that these investment strategies are not necessarily mutually exclusive as their goals and methodologies tend to overlap.

As an investment strategy, ESG investing is one in which an investor or fund manager places funds in public debt or public equity through mutual funds or exchange-traded funds. The investor’s portfolio thus consists of assets that score high on their ESG performance ratings (Hill, 2020).

Socially responsible investing places its focus on the impact of companies in specific areas of interest utilizing a negative screening approach (Hill, 2020). An example of this would be to weed out companies involved in alcohol, tobacco, gambling, or guns as these are activities that an investor can regard as being undesirable. On the flip side, the investor may decide to invest in companies whose mission is centred around social or environmental justice (Hill, 2020) because it aligns with their personal, political, or religious beliefs (Zhou, 2021). Socially responsible investing overlaps with the methodologies of another investment strategy, ‘ethical investing’, in which the latter refers to an investment strategy by which investments are made in alignment with the investor’s moral code (Benson, 2021).

Impact investing is another investment strategy similar to SRI, but it is more direct and focused on a specific social or environmental issue such as financial inclusion, education, affordable housing, renewable energy, or agriculture (Hill, 2020). Acevedo & Wu (2018) describe impact investing as providing capital to social entrepreneurs actively aiming to create measurable social changes while anticipating financial returns as well. The Global Impact Investing Network (GIIN) defined impact investments as investments made into companies, organizations, and funds to generate measurable social and environmental impact alongside a financial return (Trelstad, 2016a). According to Trelstad (2016), this definition by GIIN covers a broad range of asset classes, themes, and return orientations which makes it quite difficult to understand what impact investing is and what it is not. This is because the GIIN includes market-rate investments in public and private equity to concessionary fixed income products like higher risk loans to philanthropic activities that are not traditionally investible.

But to fully understand impact investing would require understanding 'impact' in itself. The following figure presents an "impact value chain" in which impact is identified as the combination of activities, outputs, and outcomes adjusting for what would have happened anyway, actions of others, and for unintended consequences (Reeder & Colantonio, 2013).

Figure 1: Impact Value Chain

Inputs	Activities	Outputs	Outcomes	Impact
Resources (buildings, staff)	*Concrete actions*	*Tangible products and services from the activities*	*Changes resulting from the outputs*	*The combination activities, outputs and outcomes, adjusted for what would have happened anyway, actions of others, and for unintended consequences*
£50,000 capital invested, 5 people working on the project, then 1 teacher and £15,000 per annum	*Land bought, school designed and built*	*New school built with 32 places and courses for 24 run by 1 teacher*	*24 students gaining better numeracy and literacy skills*	*New school in the area and a number of students gaining better education*

Source: Reeder & Colantonio (2013)

Brest & Born (2013), in their article, addressed impact investors to help them identify whether their investments contribute to their social and environmental objectives, and identified three basic parameters of impact: **enterprise impact**, **investment impact,** and **nonmonetary impact**.

Enterprise Impact

Enterprises can have an impact either by the goods and services they produce, being product impact; the impact of the management practices on employee health and economic security; the effect on jobs and other aspects of the well-being of the community in which it operates; or by the environmental effects of its supply chain and operations (Brest & Born, 2013).

Enterprise impact can be further broken down into collective impact and sector impact. Collective impact is the impact of nonprofit organizations, foundations, and government agencies working together to tackle a community-wide problem (Brest & Born, 2013). Sector impact is the enterprise's impact on the markets and sectors in which it operates (Brest & Born, 2013).

Investment impact

Investment impact refers to the motivations and goals of the investors themselves. They can either be socially neutral in which investors make investment decisions based solely on expected financial return or socially motivated in which investors value specific socially beneficial products or byproducts produced by a business and, therefore, are motivated to invest in that business to generate a greater quantity or quality of that particular socially beneficial output (Brest & Born, 2013).

Socially motivated investors can also fall into two categories: non-concessionary investors who are not willing to make any financial sacrifice to achieve their social goals or concessionary investors who are willing to make some financial sacrifices to achieve their social goals, either by taking greater risks or accepting lower returns (Brest & Born, 2013).

Non-concessionary investors may also be referred to as "finance first" impact investors, who seek to achieve higher returns on their capital with less focus on environmental and social impact (Hebb, 2013). This doesn't mean that their investments are in vain. "Finance first" impact investors can make an impact in various ways such as market-rate mortgages which allow affordable housing to be built or investment in public infrastructure which provides communities with clean water, public transportation, and sewage systems (Hebb, 2013).

On the flip side, concessionary investors may be referred to as “ impact first” investors as they are prepared to take lower returns on their capital in exchange for achieving the environmental and social impacts they seek (Hebb, 2013).

The motivations and goals of the socially motivated investors can further be broken down into five categories (Trelstad, 2016b): place, processes, planet, product, and paradigm.

Place-based impact investing focuses on one particular city or region. Using this approach, local investors benefit from a better risk assessment, networks, and having “boots on the ground” (Schramade, 2019). This is further explored in section 3.1.3 of the literature review.

Process impact investing is where investors pay special attention to business practices, such as “fair trade” coffee or equitable labour practices in a supply chain or buy-one-give-one models in which disadvantaged groups benefit (Trelstad, 2016b). An example of this is Warby Parker[1], an American online retailer of prescription glasses and sunglasses who developed a program called “Buy a Pair, Give a Pair” in an attempt to alleviate vision impairment. In this program, when customers purchase a pair of prescription glasses, Warby Parker will distribute one to someone in need (Trelstad, 2016b).

[1] https://ca.warbyparker.com/buy-a-pair-give-a-pair

Planet impact investing is where impact investments must have a clear and measurable environmental benefit, such as the preservation and restoration of natural habitat, or the measurable reduction of carbon dioxide through new energy-efficient products (Trelstad, 2016b). This can be seen in the case of BrightPower[2], which provide multifamily affordable housing units with energy-efficiency audits and heating and lighting retrofits (Trelstad, 2016b).

Product impact investing is where investments in products or services must have positive social benefits (Trelstad, 2016b). An example of such a service is Springboard Education, which provides after-school educational programs to 3,000 students at 50 public and charter schools in 11 states in the United States (Trelstad, 2016b).

Finally, **paradigm** impact investing refers to impact investors using their investments in an attempt to change an entire system for the better (Trelstad, 2016b). Impact investors might invest in a company like Revolution Foods[3] who intend to alter the system of childhood nutrition in the United States by providing healthy, nutritious school lunches in public and charter schools (Trelstad, 2016b).

Even within the types of impact investing, they seem to overlap. For example, one can suppose that within place-based impact investing, investors may take a keen interest in a social enterprise's product, planet, or process impact.

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[2] https://www.brightpower.com/markets/multifamily-affordable/
[3] https://www.revolutionfoods.com/

Non-monetary impact

According to Brest & Born (2013), impact investors, as well as fund managers and other actors, can improve an enterprise's social outputs through the provision of a variety of nonmonetary benefits such as improving the enabling environment for social enterprises and investors, finding and promoting impact investing opportunities and gaining socially neutral investors.

In conclusion, the lines are blurry when it comes to defining these various investment strategies, however, perhaps 'Responsible Investing' is not the most appropriate term after all. Perhaps a more appropriate term would be 'Sustainable Investing'. This is because even though sustainability is originally associated with the field of ecology, referring to an ecosystem's potential for subsisting over time (Jabareen, 2008), some view it as the existence of environmental conditions necessary to support human life at a specific level of well-being through future generations (Lélé, 1991). Costanza & Patten (1995) break down the term biologically and economically. Biologically, the authors presume that it is avoiding extinction and living to survive and reproduce. Economically, it is avoiding major disruptions and collapses, hedging against instabilities and discontinuities. Goodland (1995) adds social sustainability as a third pillar.

Sustainability is thus an interconnected web with ecological, social, and economic dimensions; three pillars that must work in coherence with one another to achieve lasting prosperity. As such, it feels most appropriate to say that impact investing is a form of sustainable investing.

3.1.2. History of Impact Investing

Despite being a relatively new term, the actual act of investing for social and environmental purposes is not a new concept. In the middle of the 20th century, there were two dominant nodes on the spectrum of capital - fiduciary and philanthropic - whereby on the fiduciary end, investors invested capital for a maximum financial gain with little regard to environmental or social consequences of those investments, while on the philanthropic end, investors sought to donate capital for a maximum social or environmental benefit with little regard for financial return (Trelstad, 2016a).

In the late 1960s and early 1970s, this changed around the time of the Quakers, who sought to align their investments and purchase decisions with their values (Bugg-Levine & Emerson, 2011). From this it is seen that this was the genesis of SRI, however, Combs (2014) pointed out that SRI has been around for centuries with the first form of ethical investing beginning in the 1500s, but with the term growing in popularity during the 1960s. Impact investing on the other hand, has only grown in popularity within the past 5 or 6 years (Combs, 2014).

During the Civil Rights era, concerns over corporate social responsibility (CSR) and ethical investment increased in importance when several faith-based activists and university student unions asked for investment policies that screened out what they thought to be "unethical investments" (Trelstad, 2016a). Such unethical investments included companies doing business in tobacco and weapons.

Around the same time that SRI emerged in the late 1960s, at the philanthropic end, the Ford Foundation created program-related investment (PRI) which was also known as social investing (Trelstad, 2016a). These kinds of investments shift from using grants to low-interest loans to finance programs such as urban redevelopment or affordable housing (Trelstad, 2016a). PRIs created players around the world which were antecedents to today's impact investors, such as Enterprise which is an affordable housing development in Baltimore, and Coastal Enterprises who invest in small businesses to spark economic activity (Trelstad, 2016a).

In the late 1990s and 2000s, investors started asking "if one can do just as well by investing to avoid certain negative social or environmental factors, might one do equally well or better by affirmatively choosing investments based on social or environmental considerations", referred to now as "sustainable investing" (Trelstad, 2016a). Trelstad (2016) highlighted that the growth of sustainable investing gave rise to the belief that investing was not just about doing less harm through one's investments, but that one might be able to allocate capital to create more social or environmental benefits.

It is from PRI and sustainable investing that the concept of "impact investing" emerged in the 2000s, where impact investors believed in investing in business models which address social and environmental issues like health epidemics and climate change where they can also generate market-rate financial returns (Trelstad, 2016a).

According to Combs (2014), foundations have been practicing their version of impact investing for years with mission-related investments (MRI) in which they seek out investments that offer market-like returns and also provide social, environmental, or educational impact, allowing for foundations to align their investments with their missions.

3.1.3. Place-Based Impact Investing

An even more direct form of impact investing is place-based impact investing which focuses on one particular city or region with the advantages of being a local investor. These advantages include a better risk assessment, networks, and having “boots on the ground” (Schramade, 2019).

How investors decide where the underserved areas are located within a defined area is through the use of mapping using geographic information system tools for data collection and analysis or polling that helps a community better understand their needs and opportunities (Leung & Theodos, 2019). Mapping provides stakeholders with several benefits, including gaining knowledge on what is going on with regards to impact investing in a defined area, informing strategic direction, prioritizing and allocating resources, understanding where there are system inequities and opportunities and identifying new or unlikely partners (Leung & Theodos, 2019).

This exercise occurs using four approaches (Leung & Theodos, 2019):

1. **Needs assessment** - this is where place-based impact investing investors study local needs where below-market capital is required. It is the process of identifying unmet local needs for a particular good or service such as affordable housing, access to grocery stores, or deteriorating schools (Theodos et al, 2018). This process can be done in five ways. Investors might conduct a needs assessment by subtracting the supply of

a particular service from the demand for that service; survey community members to define local needs; compare to a national average level of service; use GIS to conduct spatial analysis to identify areas of relative geographic need; or examine the use of less desirable alternatives of a particular service (Theodos et al, 2018).

2. **Capital flows and gaps analysis** - this is where place-based impact investing investors gain an understanding of why communities look the way they do, changes in investment landscapes and which actors are engaged in communities, and how strong or weak local capital is relative to other communities (Leung & Theodos, 2019). A capital flow is the provision of financing to a household, business, or community while a capital gap is when investors fail to make finance available for investable projects (Theodos et al, 2018). Capital gaps occur in neighbourhoods, groups of people, types of business or types of products and purposes (Theodos et al, 2018).
3. **Conducting impact investor mapping, which** refers to knowing more about investors and the critical gaps they see. According to Leung & Theodos (2019), "investor mapping or surveying is undertaken in environments with demonstrated resource needs to help identify funders potentially interested in greater collaboration. Promoting collaboration among investors and other resource providers can be particularly beneficial to increasing the scale and effectiveness of place-based impact investing and building pathways to broader ecosystem collaboration down the line. Investor mapping can also be effective for highlighting needs and gaps in resource-constrained ecosystems, including rural investment contexts".
4. **Ecosystem mapping** is a key element to place-based impact investing and refers to the process of identifying the different stakeholders in the ecosystem, what roles they

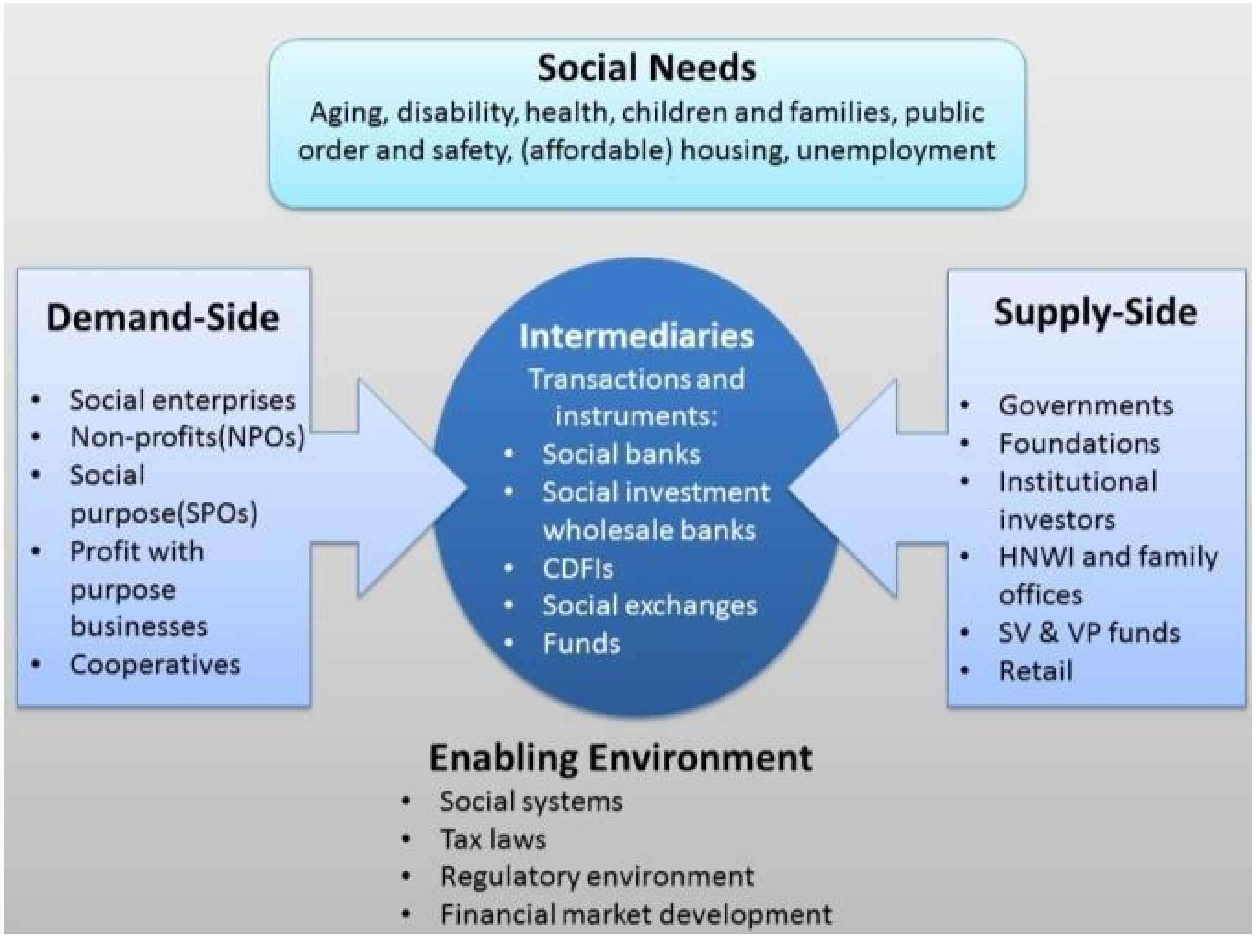
play, where capital gaps are, and where investment is needed (Leung & Theodos, 2019). This is further examined in section 3.1.4.

3.1.4. The Ecosystem

What is interesting about impact investing is that despite the positive externalities that it produces for communities, cities, and society at large, the role of urban planners in this process is unclear. Impact investing consists of ecosystems of stakeholders who have clear roles ranging from the decision-making investment process to the actual environmental and social impact.

No one impact investing ecosystem is seemingly the same, further suggesting the arbitrary and ambiguous nature of this nascent field. For instance, a social impact investment ecosystem can be driven by demand (which includes social needs and social service providers) and supply (which includes financing instruments, governments, and other transactions) controlled within an enabling environment of social systems, tax laws, financial market development and regulations (Wilson et al, 2015). This is seen in Figure 2 below.

Figure 2: Example of a Social Impact Investment Market Framework



Source: Wilson et al (2015)

In Wilson et al (2015), social impact investments start with identifying social needs as seen in Figure 2 above. Under the demand-side of the ecosystem, key drivers in addressing social needs are the service delivery organizations which can include community organizations, social purpose organizations, non-profit organizations, social enterprises, social businesses, and social impact-driven businesses (Wilson et al., 2015). In some countries, only non-profit organizations are considered “social”, however, rules are changing to include for-profits with a social purpose (Wilson et al., 2015). Demand-side actors of the ecosystem seek to create new models of social impact and aim to create new markets via their social ventures (HM Government, 2012).

On the supply side, capital providers are those who are interested in social impact investment as a way to diversify their investments and pursue social, as well as financial, goals (Wilson et al., 2015). Capital providers can include foundations, high net worth individuals and philanthropists, banks and other financial services firms, and intermediaries (Wilson et al., 2015).

Similarly, in Audette et al (2019), the entities that make up a place-based impact investing ecosystem were broken down into three main categories: impact investors; intermediaries, investors, and investees; and system support.

The investor subsection includes faith-based organizations, universities, and hospitals with endowments, community foundations, and donor-advised funds, and even private foundations making investments at different levels of risk and return. Under intermediaries are investors and investees like Community Development Financial Institutions, crowdfunding and peer-funding efforts, fund managers, nonprofit organizations, and social enterprises. Lastly, under system support, the entities include professional investment advisory firms, professional service providers such as attorneys and accountancy, education providers, field-builders, governments (city, state, regional, and local government entities), and community economic development organizations where urban planners can be found doing work. Audette et al (2019) further provide a framework for building such a collaborative ecosystem, detailing the need to build and nourish key relationships, foster equity, and inclusion, amplify the community's voice and find champions with the highest levels of influence such as spokespersons and government leaders.

3.1.5. Theory of Change

Measuring the impact of impact investments is very important to investors, fund managers, and investees who may wish to use these metrics in various ways. Investors might want to find out how their investments are helping or hindering wider social goals, fund managers might want to benchmark investments against each other or over time and investees or social enterprises may want to find out what progress is being made and how they can improve their operations to make a better impact (Reeder & Colantonio, 2013).

Measuring the financial return of an investment is a straightforward process and usually entails assessing the gain or loss on an investment over a specified period, expressed as a percentage increase over the initial investment cost (Reeder & Colantonio, 2013). Measuring the social or environmental impact, however, is not a simple feat and is often problematic because the list of outcomes as a result of an impact investment is vast (Reed & Colantonio, 2013). However, a variety of tools and techniques are made available for investors and other stakeholders to use in measuring impact. In a report conducted by Castillejos and Grabenwarter (2010) from 96 impact investors, various impact measurement techniques were used. 61 (64%) impact investors used key performance indicators (KPIs); 20 (21%) used independent rating systems (such as Oekem and SustainAbility); 13 (14%) used adherence to standards, and 2 (2%) used balanced scorecards. It is not within the scope of this paper to discuss each tool and technique in great detail, however, there is one particular impact measurement technique often used in the impact investing industry - the theory of change.

The theory of change applies logic and continuous feedback loops for effective impact measurement and management using a five-step model as seen in Figure 3. It is used to describe and illustrate exactly how and why a desired change or outcome is expected to be realized (Triodos Investment Management, n.d.). Sopact (2021) describes it as an organization's intended path to impact by outlining causal linkages in an initiative - being its short-term, intermediate, and long-term outcomes. An "outcome map" visualizes the identified changes and shows the logical relationship and chronological flow between long-term outcomes along the path to the desired impact (Sopact, 2021). The links between desired outcomes are rationalized as to why one outcome is thought to be a prerequisite for another and can be updated based on evaluation evidence (Sopact, 2021).

Figure 3: Theory of Change Five-Step Model

Source: Adapted from Triodos Investment Management (n.d.)

The first step is to start with the mission (e.g. making money for positive change or investing in social enterprises centered around sustainable food production). Then, the investor must determine the need for such change and their vision for solutions. Thirdly, the investor must set key impact objectives for their investments. Fourth, the investor must define the activities they will take, and finally, they must then monitor and report their impact in the context of numbers and stories. When this approach is used in conjunction with pattern recognition of key success factors, such as a cohesive management team, a product that has a credible set of potential customers, a good brand, and so on, it is a credible way of making investment decisions (Reeder & Colantonio, 2013).

3.1.6. Opportunities

The impact investing space over the past four years has gone from an uncoordinated innovation phase to a marketplace building phase and with this comes many opportunities which aid in the growth process (Harji & Jackson, 2012). There is growing interest among capital providers as there is a growing set of very wealthy investors who are looking to diversify and use a different approach (Freireich & Fulton, 2009). This increase in the supply-side of capital also matches the demand for capital in which the field has an opportunity to move the needle to increase the number of investment-ready opportunities in its target regions and sectors (Harji & Jackson, 2012).

There is also greater recognition of the need for effective solutions to social and environmental challenges; a steadily developing track record with early successes in community development, microfinance, and clean technology which attracts positive and extensive interest; and an increasing number of people interested in pursuing careers in impact investing, creating the next generation of leaders (Freireich & Fulton, 2009). Similarly, Harji & Jackson (2018) concede the point on the increasing interest of professionals in the field as they note that there are only a handful of training programs in the market but this is likely to change in the future. Some academic institutions have already started to implement and integrate these impact investing and sustainable finance in their curricula, further opening up opportunities for young professionals to work in this field (Harij & Jackson, 2018).

There are also many methods, approaches, and tools which are being used in social impact projects and this presents an opportunity to streamline these tools and approaches by examining under which conditions and with what effects these tools have been applied in practice (Harij & Jackson, 2018). In addition to streamlining tools, governments can also play direct and indirect roles in creating a policy environment that fosters the growth of impact investing through appropriate investment rules, targeted co-investment, taxations, subsidies, procurement, and legislation which enables the efforts of investors, intermediaries, and social enterprises (Harji & Jackson, 2012).

Additionally, there is an opportunity for integrating multi-stakeholder perspectives as evaluators should be able to purposefully interrogate the visible and hidden relationships among the various stakeholder groups and to ensure that the voices and needs of underrepresented and marginalized groups are integrated and elevated (Harij & Jackson, 2018). This also presents an opportunity for utilizing the expertise of stakeholders from different fields who can bring different perspectives to the impact investing space.

3.1.7. Challenges

There is difficulty in measuring impact or social return as there are several sources available to measure impact (Combs,2014), but this also contributes to inconsistency amongst different firms. However, it should be noted that it is still relatively early in the industry's evolution. Several challenges need to be addressed concerning this. First, different investors have very different levels and kinds of demand for third-party impact measurement tools, and more candid conversations are required between those actors in the field who are building measurement systems as public goods with those who carry out impact assessment for proprietary revenue for their organizations (Harji & Jackson, 2012). Additionally, two main global initiatives, Impact Reporting and Investment Standards (IRIS) and Global Impact Investing Rating System (GIIRS), two tools used to measure impact, require more time and resources to refine their systems and build sustainable business models and this requires funding (Harji & Jackson, 2012).

There are also concerns over permissibility under statutory and general law, uncertainty as to where impact investment is included within modern investment portfolios; relative immaturity of supporting infrastructure, frustration with a narrow set of appropriately designed investment opportunities; and limited human capital to design, implement, and manage an impact investment strategy (Ormiston et al, 2015).

Where Freireich & Fulton (2009) note the growing interest of capital providers, the authors also point to a lack of efficient intermediation and lack of sufficient capacity for capital as additional challenges to impact investing. In sectors and regions where there are plenty of opportunities to place money, there still lies a challenge in whether there is sufficient capital flow especially in situations where there are large, bankable opportunities into which investors can put large amounts of capital (Freireich & Fulton, 2009). The principle of additionality, which refers to a call on impact investors to invest in businesses that would otherwise not be invested into, also exacerbates this as there are only a few readily investable social enterprises and impact investors who are all chasing the same enterprises (Bugg-Levine & Emerson, 2011).

3.2. Urban planning

What is urban planning? Why do we need it? Why is it even relevant to the topic of impact investing in the first place? Though Audette et al (2019) allude to the fact that urban planners could have a place within the place-based impact investing ecosystem as system support, the roles that urban planners could have as an entity in the place-based impact investing ecosystem have never been explored. This is especially interesting given that the goals of urban planning often align with the goals of impact investing. It can be assumed, however, that urban planners are lumped into government entities or community development organizations. What's more, the understanding of how the various actors within these ecosystems work together to achieve social and environmental outcomes is not clear as existing research on impact investing ecosystems places a heavy focus on the role of various actors and instruments within the finance sector and little on who has influence over policy and regulation in ensuring that these social and environmental needs are met. This section of the literature review will explore the role of the urban planner and the goals of urban planning. By understanding the goals of urban planning and the different roles that urban planners currently play in their profession, this section serves as the basis for analyzing how urban planning practices can accommodate impact investing in Chapter 5.

3.2.1. Urban Planning

March et al (2017) have described urban planning as a form of collective decision making relating to spatial outcomes-oriented towards individuals, communities, and state-oriented capacity building. Concurrently, it aims to balance these intentions against some level of a centralized set of rules and parameters which ensure that equity, efficiency, and ecologically sound outcomes are realized across overall settlements, regions, and nations (March et al, 2017). Huxley & Inch (2020) have similarly described urban planning as a set of state-related policies and programs which aim to allocate and manage land-uses and define boundaries and connections between them in neighborhood, local, and metropolitan areas while being concerned with the social, economic, and environmental consequences. These descriptions of urban planning are in alignment with Campbell (1996) who identified the planner's three priorities and conflicts in sustainable development as the economy, the environment, and equity.

This balance between social, environmental, and economic consequences is directly related to sustainability as mentioned in section 3.1.2, where 'sustainable investing' was concluded to be the most appropriate term for investment strategies with an environmental and/or social outcome. These three pillars must work in coherence with one another to achieve lasting prosperity.

The economic development planners see the city as a location where the production, consumption, and distribution of resources take place (Campbell, 1996). They see the city as competing with other cities for markets and new industries and identify space as highways, market areas, and commuter zones. The goal of economic development planning is to produce policies and programs to promote economic growth, the increase in the production of economic goods and services, compared from one period to another (Potters, 2021). Community economic development is a form of economic development which is about transforming whole communities from economic spectators into players who generate benefits for themselves and others (Gent, 2001, p.25). Similarly, The Canadian CED Network defined community economic development as action by people locally to create economic opportunities that improve social conditions, especially for those who are socially vulnerable. An economic development plan helps with realizing a community's economic vision. It brings together community residents with private and public sectors, who together, can choose economic development goals and outline how to accomplish those goals (Ministry of Jobs, 2020).

The environmental planner sees the city as a consumer and as a producer of waste (Cambpell, 2007). In this sense, the city competes with nature for scarce resources and land and always poses a threat to nature (Cambpell, 2007). As such, space within the context of environmental planning is the ecological space of greenways, parks, river basins, and ecological niches (Cambpell, 2007). According to Ortolando (1984), environmental planning is a multidisciplinary field consisting of biology, engineering, geography, the earth sciences, and landscape architecture among other subjects. The UN Environmental Programme has stated that since resources are finite, addressing environmental issues insufficiently has severe consequences: health hazards, loss of biodiversity, and ultimately, lower quality of life, and city managers thus have a responsibility to ensure that urban areas function sustainably. A big portion of global greenhouse gas emissions (GHGs) is associated with activities taking place within the urban environment, both from direct emissions of greenhouse gases and from indirect emissions associated with consumption of goods and services produced elsewhere (Dodman et al, 2013). Due to this, cities need to be at the forefront of promoting measures to mitigate climate change. According to Dodman et al (2013), measures that environmental planners take include the following:

1. Prioritizing environmental issues into city-level and local development plans that work to reconcile urban economic growth with better resource efficiency;
2. Integrating emerging ideas about the green urban economy, which show how density can generate environmental and social opportunities such as green urban infrastructure;
3. Integrating GHG reduction strategies in urban planning, which can reduce the impact that cities have on the global environment while improving the quality of life for urban residents;
4. Creating “green jobs” which are those that contribute to the preservation and restoration of the environment (International Labour Organisation, 2013)
5. Undertaking environmental rehabilitation projects that can enhance ecosystem services, improving the quality of the environment while reducing costs of remedial air and water treatment; and
6. Using strong political support and commitment to underpin each of these strategies

The social or equity planner looks at the city as a location of conflict over the distribution of resources, services, and opportunities where the competition takes place in the city itself among different social groups and their different social agendas (Cambpell, 1996). Metzger (1996) identifies equity planning as “a framework in which urban planners working within government use their skills to influence opinion, mobilize underrepresented constituencies, and advance and perhaps implement policies and programs that redistribute public and private resources to the poor and working-class". According to Krumholz (1982) in Zapata & Bates (2015), equity planning does the following:

1. It moves away from a strict focus on the built environment and directly addresses poverty and racial segregation;
2. It requires planning directors who are strong and bold leaders;
3. It rests on a defined goal to direct resource allocation;
4. It must be part of decision-making processes through the use of quality data and professional presentations;
5. It depends on the development of long-term relationships and commitment to working on equity issues;
6. It asks planners to work in the broader political arena, beyond the planning commission;
7. It will draw other planners to want to work at your organizations; and
8. It can produce change

Zapata & Bates (2015) are of the view that topics that matter to communities of colour and other disadvantaged groups, should matter to equity planning as their concerns may not always shape the view that conventional planning holds. Equity planners can be found outside of governmental institutions, such as in community-based organizations, labour unions, metropolitan planning organizations (MPOs), and health departments (Zapata & Bates, 2015). Equity planning requires flexible and adaptive strategies, whether to rescale issues, connect to new topics, work with different partners, or use new policy tools, and a willingness to be an advocate, to develop relationships, and to learn about the topics that matter to communities of colour (Zapata & Bates, 2015).

3.2.2. Role of the urban planner

According to Howe (1980), the role of an urban planner must fit their orientation and training since to play any role, you need to have the appropriate skills and attitude necessary for that role. Howe (1980) identified three types of roles that planners may play: a technical role, a political role, or a hybrid role.

Technical planners see planning as a “rational or scientific effort in which the planner’s appropriate role is to be a value-neutral adviser to decision-makers about the best way to serve the public interest, without promoting particular policy positions” (Howe,1980). These planners describe their work as consisting of drafting comprehensive plans for the development of the municipality and of making detailed planning regulations (Sehested, 2011). The political planner “takes a more value-committed, activist, political orientation, favouring advocacy of particular policies and attempting to ensure their implementation” (Howe,1980). The hybrid role thus combines elements of the technical role and the political role (Howe, 1980). Rather than as a combination of technical and political processes like Howe (1980), Steel (2009) sees the hybrid as simultaneously concerning the interests of the public sector and private sector, for example, a private consultant may write a local government planning scheme, assess development proposals and provide training to public sector planners, while simultaneously representing and advocating the interests of private clients.

With regards to sustainable development, Naess (2001) highlights the role of the urban planner as pointing to the likely consequences of different solutions for sustainable development and delivering results to politicians and the general population while Campbell (1996) sees the urban planner as having the responsibility to manage and resolve conflicts associated with the planner's three goals and to promote creative technical, architectural and institutional solutions, being both a negotiator of the procedures of the conflict and as promoters of a substantive vision of sustainable development. Using the image of a triangle to emphasize this planner's trinity of concerns, Campbell (1996) describes sustainable development, as the balance of these three goals - economic development, environmental planning, and social planning.

Chapter 4. Impact Investing in Rotterdam, Netherlands

4.1. Background

According to Geoffroy (2020), Rotterdam has the highest poverty in the Netherlands with a rate of 10.9%. Additionally, high unemployment, a high density of manual workers, and low educational attainment have resulted in social segregation (Geoffroy, 2020). With 10.9% of the population lacking resources such as income, health, welfare, and housing, poverty is labelled as the most important cause of social exclusion in the Netherlands (Kloprogge, n.d.). Additionally, Rotterdam's peak year in terms of carbon emissions was 2016 when several new coal-fired plants began operations while existing examples remained operational. Since then, emission levels have been cut by 17.3% according to the Port of Rotterdam.

4.2. Creation of Social Impact Fund Rotterdam (SIFR)

Social Impact Fund Rotterdam (SIFR) is a place-based impact investment fund founded out of a desire and need to solve the large social and environmental problems which plagued the city (Schramade, 2019). These issues were enough for a group of mission-driven individuals to feel motivated enough to deal with them. The leader was Wim Hoogendoorn, the director of social affairs at the city of Rotterdam municipality, who knew many rich people in the city who were looking to invest in making the city better for poor people. Hoogendoorn created a working group on impact investing which involved about 20 people from funds, big businesses, Rotterdam partners, and community organizations. Although they all agreed on the pressing issues at hand, they were not sure how to solve them. They thus saw it fit to create separate agencies to perform an intelligent “maker and broker” function and thus, the Voor Goed Agency was created following the Rotterdam municipality’s realization that it needed private partnerships to help address societal issues like poverty, unemployment, and sustainability, among others (Geoffroy, 2020). According to Voor Goed’s Michiel van Keulen, it is independent of the municipality and serves as the eyes and ears that detect where the opportunities are and the needs to be met in the city (Geoffroy, 2020). SIFR was created as a place-based impact investment fund to invest in social entrepreneurs to mitigate the major social challenges in the city of Rotterdam (SIFR, 2020).

4.3. SIFR’s impact investment process

SIFR screens and evaluates social enterprises based on three investment criteria: impact, management, and company.

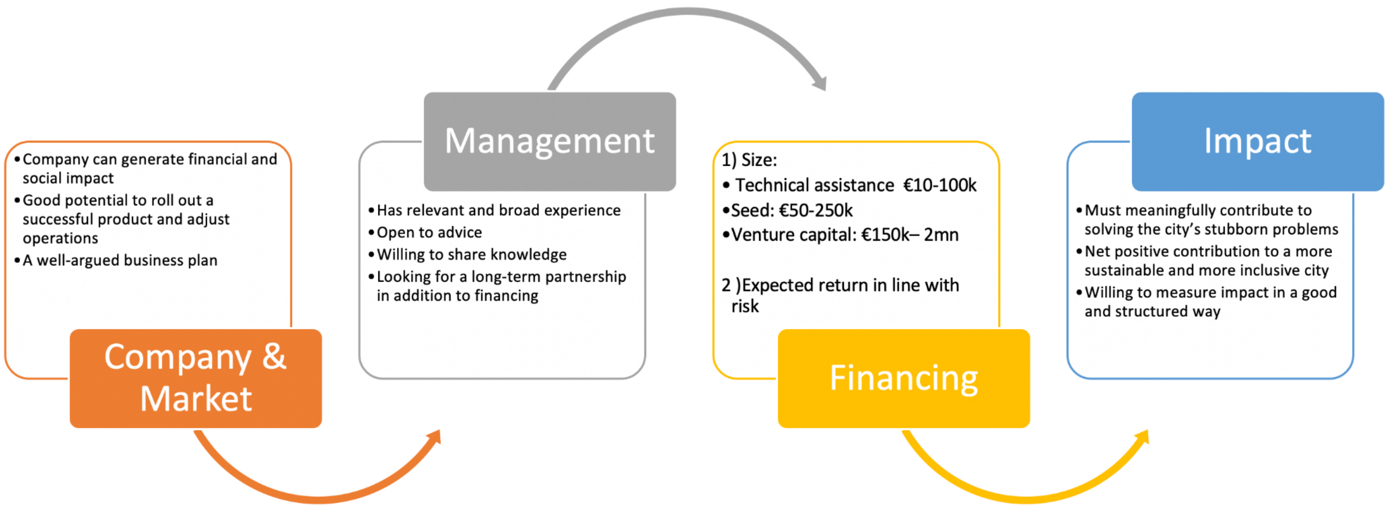
1. Impact - the social enterprise’s raison d'être must be impact on either one of SIFR’s three societal challenges of focus: poverty, unemployment, and environmental pollution. (SIFR, 2020). They must also be willing to measure impact in a structured way and the social intervention must be able to grow and be ideally replicable (SIFR, 2020). However, this is pretty vague. The Fund is not clear on what they mean by measuring impact in a “structured” way.
2. Management - SIFR requires that the social enterprise must be open to advice, have experienced management with relevant and broad experience, be willing to share knowledge and experience in the network, and must be looking for a long-term

business partner in addition to financing (SIFR, 2020). As per Reeder and Colantonio (2013), these pretty much align with what SIFR might consider to be key success factors.

3. Company - The social enterprise must generate impact and make a profit, have good chances of successfully rolling out a product or adjusting business operations, and have a well-substantiated business plan (SIFR, 2020). Again, as per Reeder and Colantonio (2013), having a product that has a credible set of potential customers and a good brand is a key success factor and when coupled with a strong theory of change, can be a good way of making investment decisions.

Schramade (2019) has interpreted SIFR's investment criteria slightly differently, adding financing as a fourth criterion as seen in Figure 4 below.

Figure 4: SIFR's investment criteria



Source: Schramade (2019)

Schramade (2019) states that to achieve financial and impact returns, a sound investment process is required to address issues of effectiveness. According to SIFR (2020), the impact investment process at SIFR follows five steps that the Fund coordinates with each social entrepreneur as seen in Figure 5 below. The lead time of the entire process is largely dependent on the information available about the social enterprise and the type and size of funding that is required, a process that can take between 2 to 4 months to evaluate SIFR (2020).

Figure 5: SIFR's Five-Step Impact Investing Process

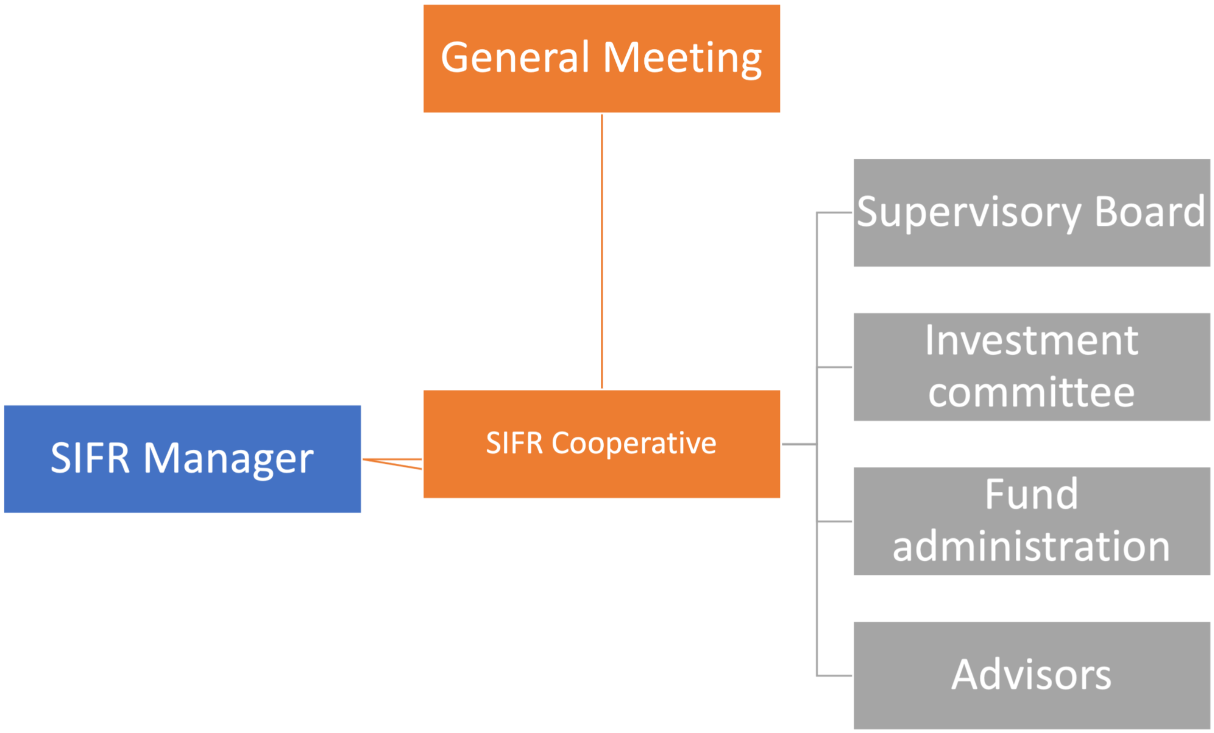
Source: SIFR (2020)

According to SIFR (2020), the purpose of the impact investing process is to get to know the social enterprise team, familiarize themselves with their business model, and offer advice, though the kind of advice given is uncertain. At the screening and evaluation stage, SIFR uses the four investment criteria explored above to determine whether or not they should invest in the social enterprise. Based on SIFR's investment criteria, the investment team, whose experience in impact investing and public-private partnerships span over 50 years (SIFR, 2020), appears to be considerably open in its screening process as there are not many restrictions or requirements. Schramade (2019) argues that the criteria look vague from the perspective of a traditional investor, but that over time, and with more experience, more granularity will be possible, while still applying common-sense judgment to prevent overreliance on numbers.

However, this is not entirely convincing. SIFR does not specify how exactly they verify the validity of the social enterprise's raison d'être. This is crucial because enterprises may claim to be social enterprises contributing to tackling poverty or unemployment, when they may not. This may potentially take away the opportunity for other social enterprises to obtain the necessary funding. Despite this, SIFR (2020) believes that investments are made on mutual trust and a jointly supported impact and business plan. Wim Hoogendoorn has expressed that “you can analyse anything to death but then nothing gets done. At some stage you just need to start acting” (Schramade, 2019),

After screening and evaluation, the investment team prepares the term sheet, which is used to structure the investment as it sets forth the material terms and conditions of the agreement (Propper de Callejon & Campbell, 2015). Due diligence on investments is then conducted by the staff at SIFR, a rigorous process that involves identifying and analyzing the risks associated with the investment and ensures that the investment meets the right criteria for an impact that the Fund is aiming to achieve (Berliner & Spruill, 2013). Final approval of impact investments is made by the SIFR Manager. The impact investing governance structure is detailed below in Figure 6.

Figure 6: SIFR Governance Structure

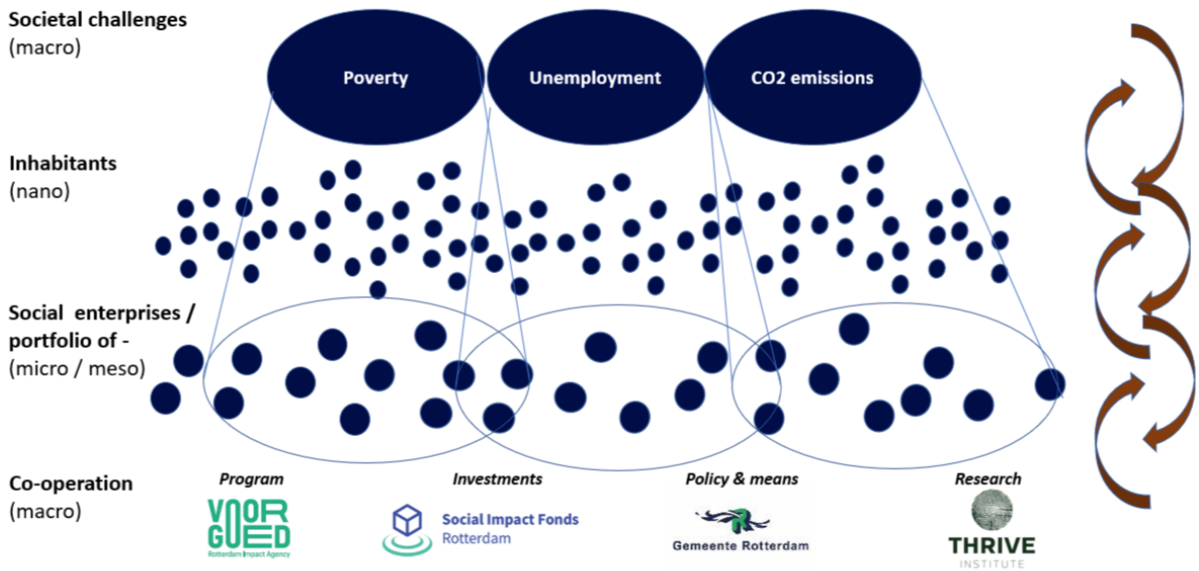


Source: SIFR (2020)

4.4. Impact measurement and reporting

SIFR's vision was to see "an open, inclusive and sustainable Rotterdam region without poverty, unemployment and environmental pollution" by investing in social enterprises contributing to the long-term improvement on the city's societal issues, building a social enterprise ecosystem, helping social entrepreneurs to develop themselves and adapting social interventions by larger businesses (Schramade, 2019). This serves as the basis for SIFR's Theory of Change, the model used for its reporting and measurement (Schramade, 2019). This is shown in Figure 7 below.

Figure 7: SIFR's Theory of Change



Source: Schramade (2019)

Based on interviews with SIFR, Schramade (2019) has identified and translated SIFR's five mission components into indicators for success. These are shown in Table 1 below.

Table 1: SIFR's Key Performance Indicators

Mission Component	Success looks like	Potential key performance indicators (KPI)
Investing in social enterprises contributing to the long-term improvement of the city's societal issues	SIFR's investments see improvements in the city of Rotterdam's poverty, unemployment, and GHG problem	Data Points per issue on the impact of the social enterprise that SIFR invests in
Building an ecosystem of social enterprises	The size and quality of the ecosystem of social enterprises grow due to SIFR's efforts	Data points on social enterprises in Rotterdam and SIFR's subset of investees e.g. number of social enterprises and financial

		value-added, number of jobs created, etc.
Helping entrepreneurs to develop themselves and their companies	Social entrepreneurs have better skills to help their companies flourish	Data points per investee on skills gaps over time, assistance-provided success rates in achieving the next stage
Investing in social entrepreneurship	Social entrepreneurship as a key investment criterion	Criteria to determine how "social" the entrepreneurship is and how entrepreneurial it is
Adapting social interventions by larger businesses	Initiation and completion of several successful interventions by regular businesses with a lasting effect on how to operate their business	Data points per issue on the impact of these interventions, data points on changes in attitudes and business models among the participating regular businesses

Source: Adapted from Schramade (2019)

SIFR's KPIs seem reasonable for the mission component they intend to measure. However, it is not clear what tools SIFR will use to measure this data. Schramade (2019) suggested that the above KPIs need to be complemented by company-specific KPIs and issue-specific KPIs as different companies will require different impact plans and issues require different theories of change depending on the situation. These impact plans are created prior to SIFR's investment which outlines the targeted impact, how to measure and report it, and how it is linked to the theory of change of the issue. The Thrive Institute's key role here is in making impact measurement and management both robust and practical (Schramade, 2019).

SIFR and the Thrive Institute can improve these KPIs by being consistent in defining what each data point is. For example, SIFR does a good job at clearly defining the KPIs for building a social enterprise ecosystem as the number of jobs created and the number of social enterprises created. This consistency is not seen for the other KPIs.

Having clear, well-defined KPIs is helpful for stakeholders like urban planners. Urban planners can use these KPIs to see if the needs of underserved communities are being met by impact investments, and they can offer advice to impact investors like SIFR by directing them to communities and social enterprises in need of impact investments most.

4.5. SIFR's impact investing strategy

SIFR has a strategy known as the “4x3 strategy” which focuses on 3 societal problems; 3 partners; 3 types of funding; and 3 types of targeted social companies (Schramade, 2019).

As mentioned above, the three societal problems are poverty, high unemployment, and greenhouse gas emissions, issues currently affecting the city of Rotterdam which SIFR intends to help solve through impact investing.

The three social enterprise groups that SIFR chooses to invest in are as follows: funding new and existing social enterprises in Rotterdam, cooperating with mainstream businesses to take a bigger role in solving societal issues, and attracting successful/foreign social enterprises to the Rotterdam region (Schramade, 2019). By focusing on these three groups, the risk is spread and chances of success are increased (Schramade, 2019). The idea is that mainstream businesses might eventually become the clients of the newly founded social enterprises (Schramade, 2019).

SIFR has three types of funding which are currently available to social entrepreneurs and enterprises at different stages of their life cycle (Schramade, 2019):

1. Technical assistance & subsidies – to social entrepreneurs that are looking to get their business investment ready (Schramade, 2019). According to SIFR (2020), technical assistance resources are used to arrive at sustainable (thus investable) business cases. SIFR also offers access to existing subsidy options in the municipality of Rotterdam (SIFR, 2020)
2. Seed capital – to the social enterprise at an early stage of professionalization
3. Venture capital – providing capital to the social enterprise at a more advanced stage of professionalization and growth. Both seed and venture capital come in the form of equity, loans or a combination of both (SIFR, 2020).

SIFR's place-based impact investing ecosystem consists of social entrepreneurs, philanthropies, foundations, and funds, and with three public-private partners to which SIFR can attribute its success (Schramade, 2019):

1. Rotterdam municipality, which produces policy & means;
2. Voor Goed Agency, which creates programs and makes connections and
3. Thrive Institute, focused on impact research.

How these three partners work together and their various functions are shown in Table 2 below.

Table 2: SIFR's Partnerships

Organization	Pre-financing role	Role in the financing stages		
		Stage 1: Technical Assistance Grants	**Stage 2: Seed capital**	**Stage 3: Venture capital**
Rotterdam municipality	Diverse roles	Grants	Result based social impact contracts	Result based social impact contracts
Voor Goed Agency	Matchmaking & non-financial support			
Thrive Institute	Impact measurement, intervention design, match making and database building			
SIFR	Impact creator building interventions with residents and entrepreneurs	Loans and assistance for investment readiness	Providing small amounts of capital to get company started	Providing more capital as the company grows

Source: Schramade (2019)

From Table 2 above, it can be seen that the Rotterdam municipality also provides capital to SIFR, which ultimately finances these social enterprises. In 2021, the Rotterdam municipality invested 2.5million euros into SIFR (SIFR, 2021), an effort made to assist citizens of Rotterdam with debts (SIFR, 2021). SIFR has stated that with this investment by the municipality, targeted investments will be made in companies that ensure more opportunities are created for debt services, or that ensure that the neighborhood partners and social entrepreneurs, who have a wide reach among debtors, can help these debtors in a targeted manner (SIFR, 2021).

SIFR exists to create value for society, especially in situations where the potential for societal value creation is high but it is unlikely to be realized since financial returns look too low to be funded. Thanks to the relationship SIFR has with the Rotterdam municipality, SIFR can let the municipal government pay the social entrepreneurs for impact (Schramade, 2021).

Some of the social enterprises benefitting from impact investing by SIFR include YoungUp!, a social enterprise that helps young people find work (SIFR, 2020). YoungUp!'s mission is to support young people and young adults, mainly from the south of Rotterdam, both with and without a basic qualification, with access into the labour market. They do this through a combination of job placement and mentorship (SIFR, 2020). This is in alignment with both the poverty and unemployment mission components of SIFR's theory of change in that it provides young professionals with income and employment.

Similarly, Mama Taxi has benefitted from SIFR's investment, a social enterprise geared towards training and offering work to women at a distance from the labour market (SIFR, 2020). It operates as a "social springboard" for women who want to change their circumstances. Mama Taxi consists of the Mama Foundation, where Mamas are trained to become professional drivers, and Mama Taxi Mobility, where employment is created for the Mamas (SIFR, 2020).

Chapter 5. Discussion and Conclusion

5.1. Findings from the literature and study

This research paper aimed to provide a better understanding of impact investing, how it works and how urban planning practices can accommodate it. To better understand how it works, this research conducted a literature review on defining impact investing, the history of impact investing, the actors within the impact investing ecosystem, and opportunities and challenges in the impact investing industry. Impact investing is essentially a type of responsible investing in which investors seek to generate a positive social and environmental return or impact while still aiming to generate a positive financial return by investing in social enterprises. It is regarded as a type of responsible investing strategy in that investors are intentional about where they direct their funds, choosing to look at a company's governance structure, environmental and social impact. However, a more appropriate term for responsible investing was deemed to be sustainable investing as it encompasses the social, economic, and environmental dimensions which constitute sustainability.

As such, the literature review then focused on urban planning, exploring what it is and the different roles that urban planning plays concerning sustainable development. From this review of the literature, it was found that the priorities of urban planning truly align with those of impact investing in that they both aim to promote positive social, environmental, and sustainable outcomes. As noted in Ashley & Ovalle (2018), collaborative place-based impact investing initiatives come together when they have a common vision and purpose, meaningful shared authority, mutual learning, and mutual accountability for results. A collaboration between urban planning and impact investing would provide not only the financial capital needed but also the intellectual and human capital that urban planning can provide. Through the inclusive and coordinated efforts between the two, big capital gaps in communities can be filled (Ashley & Ovalle, 2018) in a holistic way.

One major finding is that impact investing is a form of community economic development, a discipline of urban planning, in that it allows communities to create solutions to their economic problems (The Canadian CED Network) by transforming whole communities from economic spectators into players who generate benefits for themselves and others (Gent, 2001, p.25). This was seen in the case study conducted in Chapter 4 of SIFR, in which they invested in social enterprises whose mission was to aid persons at a distance from the labour market with employment opportunities, such as YoungUp! and Mama Taxi. Planners and impact investors can thus create a mutually beneficial relationship. Economic development planners can aid place-based impact investors by bringing community residents from disadvantaged groups together with social enterprises and impact investors where, together, they can choose economic development goals that benefit their communities and establish how they can accomplish those goals with impact investments. Conversely, impact investors can aid urban planners by generating capital formation needed in economic development planning, which may otherwise not be attainable.

Place-based impact investors, like SIFR, have a mission to serve their communities, thereby entering into the impact investment marketplace to invest in a way that aligns with their values. The opportunity for urban planning to shine here is in identifying those communities and neighbourhoods in need of urban revitalization. This is in accordance with the social impact investment market framework by Wilson et al (2015) seen in Figure 2. Urban planners can do this through the use of mapping techniques identified by (Leung & Theodos, 2019), such as GIS to conduct a spatial analysis of community needs, a practice already commonly done in urban planning.

As intermediaries (Wilson et al, 2015), planners can be convenors (Ashley & Ovalle, 2018), who act as liaisons between underserved communities in need and impact investors by interacting with community members and community leaders to identify local needs and concerns, a practice commonly done in public consultations and gatherings. This would allow urban planners to find and promote impact investing opportunities for impact investors as substantive promoters of sustainable development (Campbell, 1996) - a gap which can be filled within SIFR's impact investing ecosystem.

As system support (Audette et al, 2019) or members of the enabling environment (Wilson et al, 2015), urban planners can play a more political role as described by Howe (1980) in which they can advocate for policies that catalyze new investments such as program-related investments (PRI) (Trelstad, 2016a), policies that redirect and enhance the impact of existing capital or policies which boost investments into social enterprises and promote investment readiness for social enterprises (Social Impact Investment Taskforce, 2014), a feat in line with Brest & Born (2013) who stated that there is an opportunity to provide non-monetary impact such as improving the enabling environment for the impact investing ecosystem. What's more, urban planners can maximize discrete urban planning issues and sector targets through policy, such as affordable housing, education, infrastructure, and workforce development (Social Impact Investment Taskforce, 2014).

In the case of SIFR, the municipality was seen as one of SIFR's key partners in which the municipality's role was the creation of policy and

What is most interesting is how the origins of SIFR and Voor Goed Agency were rooted from within the Rotterdam municipality. The Voor Goed Agency was founded from the Rotterdam municipality's realisation that it needed private partnerships to help address societal issues like poverty, unemployment and sustainability (Geoffroy, 2020) while the creation of SIFR was led by the Director of Social Affairs at the Rotterdam municipality (Schramade, 2019). These two agencies broke away and became independent of the municipality, but still maintained a close relationship as the municipality actively invests in SIFR to this day (SIFR, 2021). Vancouver is taking a similar step in the same direction. In a council member's motion, the city of Vancouver proposed a collaboration with social impact investors to "develop a framework as part of the Municipal Finance Reform work to identify and expand the set of City tools that may be used to achieve and potentially amplify, social and environmental policy goals and outcomes by leveraging the resources and expertise of third party social impact investors while enabling them to earn a reasonable return" (City of Vancouver, 2021).

The ambiguous nature of the field of impact investing was still clear in the case study of SIFR.

For example, the requirement that a social enterprise must focus on at least one social challenge seems counterintuitive. SIFR may choose to invest in an enterprise actively seeking to employ persons at a distance from the labour market to reduce unemployment. However, if that company's business practices are unsustainable, its social impact is ultimately contradictory to SIFR's theory of change. This brings the question of what impact investors are doing to ensure that their investments do not contradict the goals of the organization.

In all, this research paper was limited by its methodology and can not make any generalizations on the impact investing process, actors in the ecosystem, and how urban planning practices can accommodate them. However, it does fill gaps in the literature by providing future directions for research and in making the connection between urban planning and impact investing.

5.2. Recommendations for future practice and research

Based on a review of the literature and case study, it is recommended that planners in federal, municipal, and local governments direct their efforts towards collaborating with the private sector, particularly impact investors, in their efforts to achieve positive sustainable outcomes. It is recommended that planners work in conjunction with policymakers to advocate and promote policies that aid the impact investing industry by creating an improved enabling environment in the impact investing ecosystem. This is because the direct consequences of these impact investments indirectly achieve some of the goals of urban planning anyway.

Recommendations for future research involve conducting primary research through interviewing impact investors, social enterprises, and urban planners to get an account of how they work together within the impact investing ecosystem and the roles each entity plays. Future research can also involve interviewing community members to assess local needs and match that to how these needs are being addressed (or are not being addressed) with impact investments. Future researchers may also assess, through primary data collection, how impact investing practices have provided for better urban planning and community economic development.

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