

IFF

A SCALED MODEL FOR COMMUNITY DEVELOPMENT

BACKGROUND

In 1988, IFF (formerly the Illinois Facilities Fund) was launched as a loan fund to fill a gap often overlooked or outside the scope of traditional funding streams: funding for the capital needs of nonprofits serving low-income and special needs populations. From its origins as a \$2.7 million loan fund focused on Chicago nonprofits, IFF has grown into one of America's leading nonprofit community development financial institutions (CDFI), offering a continuum of services across the Midwest.

THE INNOVATION

Each step in IFF's expansion, whether in terms of the portfolio of services it offers or the communities it serves, has been driven by a strategic assessment like the one that led to its founding 25 years ago: where are the gaps in existing approaches, and what capacity, resources, and strategies could help fill them?

Building on IFF's core mission of providing flexible, affordable financing to nonprofits, IFF has grown its capacity to address an array of community development needs. Beyond financing, IFF saw a need for developers who understood the facilities needs and operating structures of nonprofits. In response, it added real estate consulting and development services to its portfolio in 1997. After increasingly fielding questions from funders and service providers about the most effective ways to locate services as demographics and needs shift across places, IFF formally launched a research department in 2003 to help answer those questions. In the following year, IFF added a housing division, primarily to serve suburban communities that lacked access to community development corporations or affordable housing developers. As a result, today IFF can play the role of researcher, lender, consultant, or developer, depending on the needs of the organization or community it is serving.

As IFF's portfolio of services has grown, so too has its geographic footprint. IFF now serves five states in the Midwest—Illinois, Indiana, Iowa, Missouri, and Wisconsin. In expanding beyond Illinois, IFF opened regional offices to have an on-the-ground presence in each state, while retaining most back-office functions in its Chicago headquarters. With strategies like these, IFF has created efficiencies through scale, while remaining in touch with the diverse and shifting needs of different places.

ACCOMPLISHMENTS

From its modest beginning, IFF has grown into a 65-person organization with assets totaling \$240 million and a loan portfolio of \$187 million that has leveraged over \$1.2 billion in investments.

IFF's scale and range of services allows it to take a project from the preliminary research phase and see it through to implementation. For instance, in 2003 IFF released an analysis of gaps in the supply of subsidized early childhood care and education services relative to the eligible population in Illinois counties and major municipalities. Based on its findings, IFF secured funding from Illinois' Grand Victoria Foundation to conduct localized needs assessments in 11 underserved Chicago suburbs with growing low-income populations. These studies documented opportunities for, as well as barriers to, increasing access to child care in each community, including those related to transportation, housing, the location of employment, financing, and leadership. Based on these assessments, IFF was then able to prioritize, finance, and develop projects to expand early childhood care and education services in targeted communities.

CONFRONTING SUBURBAN POVERTY IN AMERICA

IFF's in-house capacity and geographic scope also make it a strong intermediary and “quarterback” for regional community development efforts that work across jurisdictions and policy silos. Following the collapse of the housing market in the late 2000s, IFF stepped in as coordinator for the newly-formed West Cook County Housing Collaborative (WCCHC)—a collaboration among five suburban municipalities working together to address the worst effects of the foreclosure crisis, rather than competing for limited resources. IFF has helped the collaborative apply and obtain funding for neighborhood stabilization efforts and community development projects across the suburban cluster. Because of its in-house capacity, IFF is able to manage the funds for the collaborative, act as developer in some cases, and select the appropriate outside developer for other projects.

CHALLENGES

IFF's scale and diverse in-house capacity has positioned it as an innovative leader in its field, but the organization has also encountered challenges in its efforts to move beyond the traditional way of doing things:

- Because of the multiple roles IFF can fill, the organization ran into concerns about conflicts of interest when applying for certain government grants on behalf of the WCCHC. Negotiating the terms of the eventually-successful grant was a lengthy and time-intensive process, because government agencies largely have not adapted systems to respond to these kinds of emerging models.
- Funding sources do not always reward or prioritize scaled and integrated solutions. For instance, though IFF has grown its services and reach over time, its funding levels from the CDFI Fund have not grown with them. Because of the way it is structured, the federal CDFI Fund, whose mission is to increase economic opportunity for underserved populations and distressed communities, funds IFF at the same level it has for years, and on par with other organizations operating at a much smaller and narrower scale.

IMPLICATIONS FOR POLICY

As government funding likely declines in coming years, metropolitan areas will increasingly need skilled regional partners like IFF to address gaps in local capacity and resources. Policymakers, practitioners, and funders must value and prioritize scaled approaches to poverty alleviation by:

- Improving systems and aligning reporting requirements to cut through red tape and reduce administrative burdens on large, scaled organizations like IFF, who are blending and leveraging multiple public and private funding streams to make limited resources stretch further; and
- Investing in high-performance organizations that are primed to play the role of regional “quarterback,” and have the capacity to coordinate scaled strategies that work across jurisdictions and policy silos to increase access to opportunity for low-income residents and places.