

LIVING CITIES AND THIRD SECTOR CAPITAL PARTNERS INTRODUCE PAY FOR SUCCESS CONSTRUCTION LOAN

New product designed to cover upfront costs, accelerate launch of more projects

NEW YORK (October 29, 2015) – [Living Cities](#), with [Third Sector Capital Partners, Inc.](#), announced a first-of-its-kind loan product, the Pay for Success (PFS) Construction Loan. The new PFS Construction Loan is designed to cover the upfront costs of constructing PFS projects. In addition, it aims to accelerate the launch and implementation of more PFS projects.

PFS is an innovative structure that drives government resources toward social impact projects that achieve positive results for low-income people. PFS projects raise funds from private investors – both philanthropic and market-rate impact investors – to pay for the provision of a service and bridge the timing gap between service provision and outcome payments. If the project meets the agreed-upon social outcomes as measured by an independent evaluator, government makes success payments to those who made the original investment. This means that precious government resources and taxpayer dollars are spent only in the event of proven success.

One of the barriers preventing the PFS field from growing more rapidly is the reliance on grants for the upfront funding necessary for service providers, project managers and evaluators to construct a PFS project. This construction work is intensive and costly as it can include target population selection, data gathering and analysis, economic modeling, evaluation design, program training and scaling. The new PFS Construction Loan aims to encourage more PFS projects and ultimately increase the number of impactful programs that are measurably improving the lives of people in need.

“If early PFS efforts are effective, they will spark additional interest in opening up capital inflows from commercial institutions and private investors,” said Eileen Neely, Director of Capital Innovation, Living Cities. “This loan will help get more PFS projects underway, so we can advance our goals beyond the dollars that grants can supply and prove that PFS is a viable model for investing in human capital.” To date, PFS projects have focused on outcomes such as reducing youth recidivism, increasing employment, and increasing the availability of supportive housing units, among other important outcomes.

The new PFS Construction Loan was introduced yesterday at the White House Domestic Policy Council and the Office of Science and Technology Policy’s event “A New Paradigm for Government: Adopting an Outcomes Mindset.”

The first three PFS Construction Loans were made with support from Deutsche Bank Americas Foundation and The Chicago Community Trust. They will support the construction of projects in New York, Illinois and Salt Lake County. The loans are made to the project’s special purpose vehicle (SPV) and are repaid by the funders of the PFS projects once they officially launch and start delivering services. Third Sector Capital Partners, Inc. a nonprofit advisory services firm whose mission is to accelerate America’s transition to a performance-driven social sector, is providing advisory services to help structure and close the projects.

“Third Sector and our project partners, including service providers, have experienced firsthand how a lack of funding during PFS project construction can strain partner organization resources and delay project launch,” said George Overholser, Third Sector’s CEO and Co-Founder. “We are excited to partner with Living Cities and other funding partners on making this innovation a reality and accelerating Third Sector’s work to improve outcomes for people in need.”

About Living Cities

Living Cities harnesses the collective power of 22 of the world's largest foundations and financial institutions to develop and scale new approaches for creating opportunities for low-income people and improving the cities where they live. Its investments, research, networks, and convenings catalyze fresh thinking and combine support for innovative, local approaches with real-time sharing of learning to accelerate adoption in more places. Additional information can be found at www.livingcities.org.

About Third Sector Capital Partners, Inc.

Third Sector leads governments, high-performing nonprofits, and private funders in building evidence-based initiatives that address society’s most persistent challenges. As [experts](#) in innovative public-private contracting and financing strategies, Third Sector is an architect and builder of the nation’s most promising [Pay for Success](#) projects including those in [Commonwealth of Massachusetts](#), [Cuyahoga County, Ohio](#), and [Santa Clara County, California](#). A 501(c)(3) nonprofit based in Boston and San Francisco, Third Sector is supported through philanthropic and government sources, including a grant from the Corporation for National and Community Service’s [Social Innovation Fund](#).

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CONTACTS

Nadia Owusu
+1 (646) 442-2220
nowusu@livingcities.org
Living Cities

Tim Pennell
+1 (617) 912-8957
tpennell@thirdsectorcap.org
Third Sector Capital Partners, Inc.