

### Loan Application Information Form

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San Francisco Foundation (SFF)'s Bay Area Community Impact Fund makes program-related investments (PRIs) to

loans to nonprofit organizations and social enterprises that serve low-income individuals and families in historically underinvested communities across the Bay Area. Unlike grants, our loans are expected to be fully repaid with interest.

### Criteria for Loans at the San Francisco Foundation

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1. Our Bay Area Community Impact Fund provides loans to nonprofits, social enterprises and projects that are aligned with the Foundation's strategic goals and objectives, such as:
  - *affordable housing production or preservation,*
  - *job production or preservation, and/or*
  - *community development within historically disinvested communities.*
2. Applicant must demonstrate that our loan will have a positive impact in SFF's service areas of San Francisco, Alameda, Contra Costa, Marin, and/or San Mateo Counties.
3. The applicant must show identifiable sources to repay the loan plus a target interest rate of 3-4%.
4. Priority will be given to loans that catalyze or leverage additional funds from other financial institutions or investors.
5. The loan must have the potential for significant, measurable impact, e.g., to increase the scale of impact or level of service benefiting low- and/or moderate-income residents.
6. The borrower must have a minimum of three years' operating experience and a prior track record of repaying loans or other forms of invested capital.
  - **Minimum Loan Size:** \$250,000
  - **Maximum Loan Size:** 10% of the Bay Area Community Impact Fund (currently \$3.5 million maximum loan size)
  - **Loan Sizing Limit:** Loan size is also limited to 20% of an organization's net assets<sup>1</sup> (for loans to an organization), or 20% of the total fund or project size (for loans to a project or structured fund<sup>2</sup>). We may consider a larger loan size, if the applicant provides credit enhancement, such as a guarantee or cash reserve.
  - **Term of loan:** Not to exceed 10 years

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<sup>1</sup> Net assets = Your organization's Total Assets minus Total Liabilities.

<sup>2</sup> Structured fund = a separate entity (e.g., an LLC), established by an organization for a particular purpose, for example to purchase and develop a property or to on-lend to small businesses.

- Collateral: Our loans are mainly unsecured and do not require collateral.

## **Innovation Lab**

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In an effort to innovate its lending practice, SFF will consider loans that do not meet all criteria listed above, if the loan meets some or all of the following criteria:

- Equity at the Center: People of Color (“POC”)-led organizations and/or POC populations served have a pathway to leadership or decision making, and influence the future of the organization.
- Population Focus:
  - majority Black, Latino/Latinx, and/or Indigenous
  - majority low-income families and POC with incomes at or below 2.5x Federal Poverty Level (50% AMI)
  - primarily serving extremely low-income (30% AMI) or below
  - formally incarcerated
  - immigrants or undocumented people
  - women
  - LGBTQ+ people
- Strategic Focus:
  - Affordable housing
  - Community wealth
    - land ownership (limited equity or community land trust models)
    - cooperative ownership models (e.g., worker-owned coops)
  - Community anchor organization or project providing a place of connection and resources within an under resourced community or priority population(s)
  - Jobs and small business preservation
- Geography:
  - Organization/project is embedded within and primarily serving one or more of SFF’s five Bay Area Counties (Alameda, Contra Costa, Marin, San Francisco, or San Mateo).

## **Process and Information Requirements**

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The San Francisco Foundation has a three-step application process for its loans.

**Step 1:** If your request meets most or all of the above criteria, please contact Jesica Aguilar at [jaguilar@sff.org](mailto:jaguilar@sff.org) to arrange a meeting to discuss your request. We will set up a meeting or phone call to hear more about your organization, project and loan request.

**Step 2:** If your loan request is a good fit with our PRI program, you will be asked to complete a PRI Intake Form and to submit financial information. This information enables our PRI staff to better understand your organization and loan request. After learning more about your organization and loan request, SFF may choose to recommend the loan to our PRI Committee for a first-phase approval. First-phase approval indicates programmatic support and a request for further due diligence.

**Step 3:** If the first-phase recommendation is approved by the Foundation's PRI Committee, then the application will proceed to the second-phase of due diligence, conducted by our Finance Department staff. At this stage, we will collect information and analyze your organization's financials, operating experience, capacity to deploy the loan, plans for impact in SFF's service area, organization-wide strategy and/or business plan, financial projections and loan terms. The second phase will involve close communication and multiple emails and/or phone calls with our Finance staff, as they collect and analyze application materials. This second phase of due diligence can take several months and may require that the loan applicant create new materials (for example, cash flow projections) Once this process is complete, PRI staff will present a credit memo to the PRI Committee for a vote.

SF Foundation PRI staff considers carefully the following criteria during the application process:

- **Social Impact:** Will the project have a positive impact on low-to-moderate income individuals and communities within the Foundation's five-County service area? Does it meet at least one of the Foundation's [programmatic goals](#)? Is it catalytic or scalable? (I.e., will it produce change beyond the immediate project, or will it prove a new model)? What metrics will the applicant track to provide evidence of impact?
- **Repayment:** Will the applicant have sufficient financial capacity and cash flow to repay the loan? Have they used and paid off debt successfully in the past? If not, does the organization have other experiences that demonstrate an ability to manage and repay the loan? In the case of a financial intermediary<sup>3</sup>, what is the applicant's history with loan losses and portfolio quality; what are their credit policies and procedures? Is the applicant organization financially secure and well managed to ensure financial stability for the life of the loan and beyond?
- **Organizational Capacity:** Does the organization have sufficient and skilled staff to carry out its basic operations, in addition to the proposed project? Are there sufficient systems to carry out basic operations and any additional projects as proposed, and to ensure repayment of the loan?
- **Board Capacity:** Does the organization's Board of Directors have sufficient expertise to guide the organization, in addition to the proposed project? Are the Board Committees relevant, active, and sufficiently populated and staffed?

**Step 4:** If the PRI receives a second-stage approval, SFF will present a Loan Commitment Letter and preliminary loan terms to the Applicant. If the Applicant wants to proceed with the loan, then we will ask for a Refundable Commitment Fee of \$2,500, which is fully refunded when the loan closes<sup>4</sup>.

**Step 5:** Once we receive the Refundable Commitment Fee, this signals to us that the Applicant wants to proceed with drafting loan documents. At this time, we engage our legal counsel to draft a loan agreement. We will work closely with the Applicant during this process, to ensure that the agreement meets both parties' needs and goals. SFF pays all legal fees associated with creating loan documents, unless the Applicant withdraws from the process prior to closing the loan (and in this case, we would retain the Refundable Commitment Fee).

**Step 6:** Once we finalize the loan agreement (and other supporting loan documents), we will close the loan

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<sup>3</sup> Financial Intermediary: An organization that uses our PRI to make loans or investments, for example to affordable housing projects or small businesses. Many of our financial intermediary borrowers are CDFIs (Certified Development Financial Institutions).

<sup>4</sup> We collect the Refundable Commitment Fee to cover legal fees incurred by SFF, in the rare case of an applicant proceeding with loan documentation, and then deciding not to close the loan.

and fund the loan (as specified in the loan agreement).<sup>5</sup>

The application, underwriting and loan documentation process generally takes from 4-9 months.

### **Next Steps**

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We accept loan applications on a rolling basis. If your organization and project meet the criteria in this PRI Application Information Form, please contact Jesica Aguilar, [jaguilar@sff.org](mailto:jaguilar@sff.org) to discuss your application.

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<sup>5</sup> Closing the loan includes signing the loan documents and exchanging information items, listed (and mutually agreed to) in the loan agreement. Some loans are fully funded at closing, while others are funded at a later date, depending on the needs of the Applicant.