

# HEALTHY INVESTMENTS SPOTLIGHT



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## The Life Initiative

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*health care investments in housing and community development*



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*The Spotlight series is a publication of the Social Investment Initiative, which promotes health plan investments in the creation of affordable housing and community development projects that will have a positive social and financial return. The Social Investment Initiative is a partnership among Community Catalyst with expert support from Boston Medical Center, the Conservation Law Foundation and Nancy Turnbull, Senior Lecturer, Health Policy, Harvard T.H. Chan School of Public Health.*

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## BACKGROUND

The Life Initiative (TLI) is a \$100 million long-term revolving loan fund that invests in a variety of projects benefiting low- and moderate-income households and communities in Massachusetts. TLI investments focus on affordable housing, economic development and community service sectors.

TLI began in 1998, when state legislators were considering tax increases on life insurance companies. The Life Insurance Association of Massachusetts was lobbying on behalf of the insurance companies. Ultimately, three groups of stakeholders came together to find a compromise: seven to eight life insurance companies that wanted tax reform; community activists who wanted more community investment; and legislators.

The Life Initiative invests in affordable housing, economic development and community service-related projects benefiting low- and moderate-income households and communities in Massachusetts.

In exchange for legislative structural tax reform, life insurance companies agreed to make community investments. The companies determined that they did not have the in-house capacity to source, underwrite and manage these investments. For these reasons, they pooled their investments into a single 25-year-term fund, and set up a new third-party manager, which created The Life Initiative LLC. The companies agreed to invest a combined total of \$20 million per year over the first five years of the fund for a total of \$100 million.

Current investors include the following life insurance companies, all of which sell life insurance to individuals in Massachusetts, although some also have a regional and/or national service footprint:

- John Hancock Life Insurance Company
- Massachusetts Mutual Life Insurance Company
- The Paul Revere Life Insurance Company / Unum
- Savings Bank Life Insurance Company
- Liberty Life Insurance Company
- Berkshire Life Insurance Company
- Boston Mutual Life Insurance Company
- New England Life Insurance Company/MetLife Investment Advisors
- Monarch Life Insurance Company
- Centre Life Insurance Company
- American Health and Life

While TLI initially had a 25-year term, it currently has capital commitments from eight existing investors for an additional 15 years.



## INVESTMENT STRATEGY

TLI lends capital to small businesses, childcare centers and other community facilities. They also support activities such as the expansion of community health centers and provide a range of loans to support construction and/or preservation of affordable housing, including acquisition, pre-development, bridge loans and lines of credit.

To date, TLI has disbursed over \$500 million in investments across all five regions of Massachusetts, with a minimum of 12 percent of the total distributed to each region.

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The fund offers competitive rates and provides flexible terms, including higher loan to value, lower debt service coverage and longer terms than many other community lenders. Investments can be secured or unsecured. The fund strives to keep its capital flexible to best meet community needs and has made some equity or equity-like investments. Interest rates charged to borrowers average 5 percent.

Management of The Life Initiative acknowledges the higher risks of most community investments. It mitigates risk through rigorous underwriting, as well as co-investing with Community Development Finance Institutions (CDFIs), and close asset management after the initial investment.

## BENEFITS TO INVESTORS

The equity investments are booked as assets on the balance sheet of each life insurance investor. Investors receive an annual return, generally between 2-3 percent. If a participating insurance company is domiciled in Massachusetts, it also gets an annual 1.5 percent tax credit.



## SUMMARY OF INVESTMENT HIGHLIGHTS

<b>FUND STRUCTURE</b>	LLC, equity investment by life insurance companies into a long-term revolving loan fund; equity investment sits on life insurance company balance sheet as an asset
<b>FUND TERM</b>	25-year fund (8 participating insurance plans are re-upping for an additional 15 years)
<b>FUND SIZE</b>	\$100 million in equity, funded \$20 million per year over 5 years
<b>TARGET RETURN TO INVESTORS</b>	2-3 percent annual return plus 1.5 percent tax credit if eligible
<b>INVESTMENT TERMS FOR BORROWERS</b>	Average of 5 percent interest on loans cover operations and investments
<b>GOVERNANCE</b>	Investment Committee (IC) meets monthly to review investments; IC has 8 members including insurance plan and community representatives
<b>GEOGRAPHIC FOOTPRINT</b>	Disbursement of investments across state is important to insurance company investors
<b>NUMBER OF INVESTORS</b>	7-8 life insurance companies originally; now there are 11 investors
<b>FUND MANAGER</b>	3rd party manager – has potential to grow in size
<b>FUND PRODUCT OFFERINGS</b>	Operates mostly as a loan fund, providing both senior and sub debt, but has made equity investments or debt with equity kickers; offers lines of credit up to \$9 million with an average of \$4-5 million
<b>INVESTMENT FOCUS</b>	Community Development: affordable housing, community facilities, health clinics, and small businesses largely in low and middle-income communities
<b>AVERAGE LOAN SIZE</b>	\$1.7 million
<b>RESERVES</b>	\$8 million generated from fees and returns over time
<b>EMPLOYEES</b>	4.5 FTE