

December 7, 2022 | Creative Economy

Upstart Co-Lab's pipeline of creative economy deals is now an investable impact strategy



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ImpactAlpha, Dec. 7 – The “creative economy” of fashion, food, film, video games and other art and culture industries has emerged as a powerful driver of quality jobs, social and economic inclusion, and vibrant communities.

Now it's also an impact investment thesis.

The New York-based nonprofit Upstart Co-Lab has stood up the Inclusive Creative Economy Strategy as a pooled investment vehicle. The fund will back fund managers and entrepreneurs of color in creative enterprises that build livelihoods and inclusive communities.

“We believe that the creative economy can be the door to welcome artists, art lovers and cultural institutions into a bigger conversation about impact investing,” says Laura Callanan, the former top official of the National Endowment for the Arts who launched Upstart in 2016.

Upstart's strategy is structured as a “multi-donor fund,” managed by ImpactAssets, that allows donors to pool and invest their philanthropic assets in a specific area.

Denver-based Bonfils-Stanton Foundation, Atlanta-based Souls Grown Deep Foundation and artist turned impact investor Lorrie Meyercord have committed a total of \$3.5 million to the new strategy. Callanan expects to close \$20 million in commitments by spring of 2023, and aims to ultimately mobilize \$100 million for the strategy.

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Stocking the pipeline

Only a few years ago the “creative economy” was an unrecognizable investment category to most impact investors, and investable deal flow was scattered. Creative entrepreneurs and enterprises, in turn, had few places to turn to for aligned capital.

That’s changed, in good part due to the work of Upstart, which has helped educate individual and institutional investors and [connect them](#) with deals across creative industries.

Even before the new vehicle, Upstart mobilized capital for investments in companies like innovation studio Newlab, immersive art experience Meow Wolf, and Mary Stuart Masterson’s Upriver Studios in the Hudson Valley. Fund investments have included LISC NYC Inclusive Creative Economy Fund, Colorado Enterprise Fund and Self-Help Credit Union.

Upstart qualified more than 300 opportunities in sustainable food, ethical fashion, impactful media and creative places into its investment pipeline and [identified 40](#) that met the geographic, creative, impact and financial priorities of its members.

Upstart’s investor members, which also include the Bonfils-Stanton Foundation, Creative Capital, Jessie Ball duPont Fund and artist Neil Hamamoto have deployed \$13 million into 16 funds and companies since 2020.

Creative structure

Artist and entrepreneur Neil Hamamoto, founder of Worthless Studios in Brooklyn, came to work with Upstart as part of an exploration into impact investing. After selling his first venture to Go Fund Me, he founded Worthless to support sculpture artists.

Hamamoto invested in NewLab and Upriver Studios, in part to inform his own work in building creative enterprises that do right by the community. Upriver, for example, trains local workers for good film jobs, and is helping establish the Hudson Valley as a production hub outside of Hollywood.

With quirks like NFTs grabbing headlines, “when we look back at this era of art making, it’s actually going to be social practice that will be the defining medium of our time,” Hamamoto told *ImpactAlpha*, referring to the intersection of creativity and public good.

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Upstart's new vehicle meets the needs of institutions like Bonfils-Stanton Foundation. The small arts foundation in Denver has worked with Upstart in recent years to make a number of creative economy investments as part of a move to align its full endowment with its mission.

"Once we really dove into this, we found a pretty big opportunity set," says the foundation's Ann Hovland. Among its creative economy investments are a loan to the Colorado Enterprise Fund to lend to creative enterprises in Denver, a pooled refinancing of Denver's Museum of Contemporary Art and equity investment into Enterprise Alliance, co-founded by media executive Dick Parsons, which backs emerging fund managers of color.

But a small staff and a need for diversification meant passing on many of Upstart's deals. "As an institutional investor, what was much more appealing was the opportunity to diversify our investments across an array of creative opportunities," added Bonfils-Stanton's Gary Steuer. The foundation has anchored Upstart's strategy with a \$1 million commitment, which it expects will earn a "traditional private equity return."

The multi-donor fund structure allows for foundation program-related investments and recoverable grants as well as investments from donor-advised funds and public charities.

Other multi-donor funds include SmartJob's strategy to support innovations for people with disabilities, I Am Nation, which allows professional athletes to invest in their hometowns and Community Impact Investments, which supports diverse entrepreneurs with seed stage funding.

The quick setup time allows deployment to entrepreneurs and organizations within weeks, versus months with a typical investment fund. "That means entrepreneurs can spend more time innovating, and bring their ideas and products to market faster," writes ImpactAssets' Tim Freundlich.

Creative entrepreneurs are underestimated but resilient, Callanan says, and creative industries are "not yet mined to death."

"We tried to share a lot of opportunities, some that we thought would push investors to think at the margins, and some that we knew were squarely in the sweet spot."