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WEALTH MATTERS

A Push to Invest in the Arts Grows Stronger

By Paul Sullivan

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Like an out-of-town tryout for a Broadway musical, Lorrie Meyercord tested her desire to make an investment in the creative economy by choosing a small city before moving to New York.

She invested $1 million in artist housing in Dearborn, Mich., in 2016 through a nonprofit group called Artspace, which builds and manages affordable residences for artists and art organizations. The venture was a success because it gave the arts community broader social support while also providing Ms. Meyercord with a safe investment.

The concept is known as impact investing, in which investors consider social good in addition to financial returns. It was also a path to expand the way people think about investing in the arts, an area often overlooked by investors.

Two years later, Ms. Meyercord is making a similar investment, but this time, she is focused on the thriving New York art scene.

Working with Upstart Co-Lab, which channels impact investing into the arts, Ms. Meyercord has invested $100,000 in a bond offering that will raise at least $5 million for projects in New York. The recipients, which will be announced on

Monday, include La MaMa, a theatrical organization and performance space with more than 50 years of work in the East Village.

The organization is receiving a $3.2 million line of credit that will help pay to renovate its main theater.

“So many people are looking at the bottom line and not understanding how this loan affects our local economy,” said Mia Yoo, artistic director of La MaMa, noting the group employs 45 people but give opportunities to about 1,500 artists a year.

“La MaMa is dealing with experimental work and trying things for the first time,” she said. “The impact of it, we don’t see for years.”

She pointed to Julie Taymor, who produced early works at La MaMa in the 1980s, long before winning a Tony for directing the musical “The Lion King” in 1997.

Impact investing has matured in the past decade. There is now an abundance of projects in clean water, education and low-income housing, but growth in arts investing has been slow.

“The arts by their nature are intangible, and so their results are intangible,” said Evan Beard, national art services executive at U.S. Trust, a private bank for high net-worth individuals. “There are metrics to say how many people got clean water or how many were cured of malaria. The metrics on this are challenging.”

Since Upstart Co-Lab was founded in 2015, it has helped increase interest in impact investing in the arts because “we learned how to talk about this and frame it,” said Laura Callanan, a founding partner.

Mia Yoo, the artistic director of La MaMa, said the group gives opportunities to about 1,500 artists a year. Kevin Hagen for The New York Times

“Talking about what’s in and what’s out of the creative economy makes a lot of sense,” Ms. Callanan added. She has also been able to point to the success of the Artspace investments.

The Michigan project, which I wrote about in 2016, consists of 55 units of housing for artists and 20,000 square feet of commercial space focused on the arts.

The investment was structured like a revolving line of credit, which has been drawn from again several times. Artspace was able to use the money to fund a similar project in Memphis.

The success has attracted more interest. Ms. Meyercord’s $1 million investment in the first project accounted for 40 percent of the $2.5 million that went to Artspace.

Both then and now, Upstart teamed up with organizations that are known for their socially responsible investing: first with the Calvert Foundation, a mutual fund that organized the investment in Artspace, and this time with the Local Initiatives Support Corporation, a lender known as LISC that underwrote the bond.

The New York investment is focused on the blue-collar workers in the arts community, particularly as manufacturing jobs in the city shrink.

“It’s not just the financial expectations and whether they’re a good bet as a borrower but also their impact on the neighborhood,” Ms. Callanan said. “The whole point is that these are jobs people can do across a lifetime.”

For recipients, the money often comes at a crucial time.

“When Artspace goes out to do a project, predevelopment funding is impossible to raise money for,” said Kathleen Kvern, president of national advancement at Artspace.

“This allows us to start work and go raise money later,” she said. “It’s enabled us to start these projects when we didn’t have a predevelopment contract.”

She said the group envisioned recycling a five-year line of credit several more times, which differs from grants, which are given for a specific project. The downside, though: “These are loans,” Ms. Kvern said, and they have to be paid back. And because Artspace is building permanent, affordable housing, the loans are going to be paid back not with a windfall but with consistent rents and fund-raising.

Some advisers argue, though, that impact investing in the creative economy could remain a hard sell compared with more common recipients of such funding like education and health care.

Mr. Beard, who focuses on art lending at U.S. Trust, said there had been an uptick in using art to fund other philanthropic endeavors. He cited Agnes Gund's sale of a $150 million Roy Lichtenstein painting to start a criminal justice fund, called Art for Justice. Others, he said, are borrowing against their art to make traditional grants to organizations.

And traditional art funding — through philanthropy and private buyers — has worked well, Mr. Beard said.

"We're trying to create a new channel of investment capital," said Sam Marks, executive director of the New York office of Local Initiatives Support Corporation. Jeenah Moon for The New York Times

"Does our art system need impact investing?" he said. "We already have this very dynamic art model that goes out in the world. That may be why we've seen a failure to launch with impact investing in the arts."

But groups like Upstart Co-Lab and LISC are looking to invest in a broadly defined creative economy, which can include traditional arts organizations like La MaMa but also small manufacturing companies that make high-end cabinetry and retail displays.

"We're providing an opportunity to invest in arts culture and creativity," said Sam Marks, executive director of the New York office of LISC. "We're trying to create a new channel of investment capital. This is about benefits for low- and moderate-income people."

That channel is not necessarily a risky one, but it's also not a lucrative one, either. The eight-year note on the New York project, which pays annual interest of 2.75 percent, is backed by LISC, which has an investment-grade rating.

Katherine Fulton, an independent philanthropic consultant in Northern California, said she was looking for impact investments in the arts but felt limited. Most of the savings that she and her wife, Katharine Kunst, an artist, have are managed by a large brokerage firm that does not have impact offerings.

Until they made a $100,000 investment in the New York project, they felt there were not a lot of options for affluent investors.

"We needed to find something that was easy to do," Ms. Fulton said. "It's a safe return. It's not a high return. But it's also important because cities and urban spaces need the creative economy."

Of course, just labeling a deal as an impact investment in the arts does not make it a great investment. Ms. Meyercord said she toured a site in upstate New York that was aiming to revitalize a former manufacturing town with a film production facility.

“It was really cool, but there wasn’t a clear-cut way to get involved,” she said. “I don’t live in New York, and I wasn’t going to come in and spearhead the whole thing.”

The investments in New York and Dearborn were essentially in real estate, which in turn will be used in some form by artists. It’s easy to grasp how an investor will be repaid.

Ms. Meyercord estimated that six of her 25 impact investments were in the arts. She said she was happy with the investments she had made so far, but wished there were more people looking for deals with her.

“It hasn’t been more difficult than I thought,” she said. “I would like to find more people like myself who are sourcing these projects and I can collaborate with. I haven’t necessarily found other investors who make this a top priority.”

There is a silver lining: “Other investors think it’s interesting, and they’re happy to get on board. There just needs to be someone to do the legwork.”

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