

A Note from the Authors

We are pleased to introduce you to Upstart Co-Lab's new position paper, "A Creativity Lens: Impact investing in the creative economy," which we are presenting in digital format at upstartco-lab.org/creativity-lens.

A one page executive summary serves as the key to our investigation of the current opportunity to connect impact investing with art, design, culture, media, and entertainment. In the digital version, all subsequent sections - definitions, case examples, in-depth research, additional resources - are linked off this main page. For this printable version, all sections are listed in the order in which they appear, but please note it will not be read in this manner when viewed from the website.

Through 2017, this is a living document. We will continue to update with more facts and examples, deep dives and perspectives. As we engage in conversations with impact investors and impact wealth advisors around the U.S., we will reflect their feedback. In early 2018, we will release the final version of this work. We heartily welcome any comments, questions, or feedback. Please contact us through the website or directly to Ward Wolff at wardwolff@upstartco-lab.org. And please check back over the coming months as our discussion of impact investing in the creative economy deepens and grows.

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A CREATIVITY LENS FOR IMPACT INVESTING

The creative economy is large, and growing. But impact investing has not focused on the creative economy in a significant, targeted way.

Although **creativity and culture have been part of comprehensive community development for decades**, today there are few products or funds enabling investors to direct their capital to creative places and creative businesses in low income communities.

There are early examples of impact investment in ethical fashion, sustainable food, and social impact media, but still it is not easy for impact investors to source opportunities and direct their capital to social purpose businesses in the creative economy.

The time has come to borrow from the lessons of gender lens investing and **introduce a Creativity Lens to impact investing.**

Three reasons for impact investors to embrace a Creativity Lens:

- **More prospective investment opportunities and portfolio diversification:** As impact investing goes mainstream, there need to be more quality opportunities to absorb the additional capital; including the creative economy puts new high-potential companies in scope. Adding another segment of the economy to the impact investing universe also offers investors a chance to diversify their market exposure. It offers diversification from an impact perspective as well, bringing cognitive diversity by including creatives as problem-solvers and getting more eyeballs on the issues.
- **More ways to get social impact:** Investors can further their current impact goals by including creative businesses in their portfolio. Businesses in creative industries are delivering impact for the environment, health and education among other priorities. Investors aligning with the Sustainable Development Goals will find synergy as well. And the impact that creativity and culture contribute to low income communities has already been well-documented.
- **Build a sustainable creative economy now; no need to fix it later:** The presence of capital that values inclusion, equity, and sustainability can ensure companies in the creative economy are providing quality jobs, acting positively for the environment, and strengthening their communities. Entrepreneurs leading companies in creative industries want to deliver impact, and need impact investors to stand with them. The creative economy is growing. Let's help shape the creative economy now so as grows, it grows the right way.

With a pipeline of more than \$1.5 billion in opportunities over the next five years, impact investing through a Creativity Lens is doable. The time to do it is now.

(Learn more about our methodology and with whom we spoke throughout this study.)

Defining the Creative Economy

The term creative economy was introduced in an article by Peter Coy in 2000 about the impending transformation of the world's economy from an Industrial Economy to an economy where the most important force is "the growing power of ideas."¹ John Howkins elaborated in his 2001 book, *The Creative Economy: How People Make Money from Ideas*, calling it a new way of thinking and doing that revitalizes manufacturing, services, retailing, and entertainment industries with a focus on individual talent or skill, and art, culture, design, and innovation.²

Creative economy definitions are typically tied to efforts to measure economic activity in a specific geography. A relevant set of art, culture, design, and innovation industries is determined, and the economic contribution of those industries is assessed within a region. As a result, there is no agreed upon group of industries that define the creative economy: each study determines what it means in the relevant region, and builds a unique set of industries to define the local creative economy. This makes aggregation or comparisons between regions difficult.

A study by the Creative Economy Coalition (CEC), a working group of the National Creativity Network, examined 27 different definitions of the creative economy and found that "overall, there was a consensus that the creative industries are both under-recognized and undercounted."³ CEC's study examined 25 reports by regional, state, and local arts organizations that use North American Industry Classification System (NAICS)⁴ codes to define the creative economy. CEC found a total of 264 NAICS codes named across the 25

¹ Peter Coy, "The Creative Economy," *BusinessWeek*, August 28, 2000, <https://www.bloomberg.com/news/articles/2000-08-27/the-creative-economy>; Creative Economy Coalition, *America's Creative Economy: A Study of Recent Conceptions, Definitions, and Approaches to Measurement Across the USA*, August 2013, p10, <https://www.arts.gov/sites/default/files/Research-Art-Works-Milwaukee.pdf>.

² John Howkins, *The Creative Economy: How People Make Money*, 2001.

³ Creative Economy Coalition, *America's Creative Economy: A Study of Recent Conceptions, Definitions, and Approaches to Measurement Across the USA*, August 2013, p62, <https://www.arts.gov/sites/default/files/Research-Art-Works-Milwaukee.pdf>. "The following challenges were specifically named:

- Undercounting this sector because government data is not able to provide detailed self-employment data or identify rapidly emerging new creative businesses
- Determining which NAICS and SOC codes were most accurate for the state
- Lack of recognition for the creative industry cluster as an equal economic contributor
- Perception that the creative industry cluster is not an export industry."

⁴ The North American Industry Classification System (NAICS) is the set of codes used by the U.S. federal government to define and segment business industries, <https://www.census.gov/eos/www/naics/>.

reports,⁵ four codes were present in all 25 reports,⁶ and 70 codes were common to 50% or more of the reports.⁷

Other widely referenced definitions of the creative economy include the “U.S. Arts and Cultural Production Satellite Account” by the National Endowment for the Arts and Bureau of Economic Analysis,⁸ “Creative Industries: Business & Employment in the Arts” by Americans for the Arts,⁹ the evolving definition of “Creative Industries” employed by the U.K. Department for Culture, Media and Sports,¹⁰ “A Dynamic Mapping of the UK's Creative Industries” by Nesta, a UK-based innovation foundation,¹¹ and the “Creative Economy” by the United Nations Educational, Scientific and Cultural Organization.¹²

Alternative approaches to defining the creative economy focus on creative occupations, and a creativity mindset which can be applied in a wide range of activities. Neither of these approaches lends itself to revealing investable opportunities with the potential for social impact.

⁵ Creative Economy Coalition, *America's Creative Economy: A Study of Recent Conceptions, Definitions, and Approaches to Measurement Across the USA*, August 2013, p3, <https://www.arts.gov/sites/default/files/Research-Art-Works-Milwaukee.pdf>.

⁶ The four NAICS codes in all 25 reports are: 541410 Interior Design Services, 541430 Graphic Design Services, 711110 Theatre Companies and Dinner Theaters, and 711130 Musical Groups and Artists. Creative Economy Coalition, *America's Creative Economy: A Study of Recent Conceptions, Definitions, and Approaches to Measurement Across the USA*, August 2013, p3, <https://www.arts.gov/sites/default/files/Research-Art-Works-Milwaukee.pdf>.

⁷ Creative Economy Coalition, *America's Creative Economy: A Study of Recent Conceptions, Definitions, and Approaches to Measurement Across the USA*, August 2013, p4, <https://www.arts.gov/sites/default/files/Research-Art-Works-Milwaukee.pdf>.

⁸ National Endowment for the Arts, *NEA Guide to the U.S. Arts and Cultural Production Satellite Account*, December 2013, https://www.arts.gov/sites/default/files/nea_guide_white_paper.pdf.

⁹ Americans for the Arts, *Creative Industries: Business & Employment in the Arts*, January 1, 2015, <http://www.americansforthearts.org/by-program/reports-and-data/research-studies-publications/creative-industries>.

¹⁰ United Kingdom Department for Culture, Media & Sport, “Creative Industries Mapping,” 2001, <https://www.gov.uk/government/publications/creative-industries-mapping-documents-2001> and United Kingdom Department for Culture, Media & Sport, “Economic estimates of DCMS sectors,” December 19, 2016, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/578932/DCMS_Sectors_Economic_Estimates_-_Methodology.pdf.

¹¹ Hasan Bakhshi, Alan Freeman and Peter Higgs, *A Dynamic Mapping of the UK's Creative Industries*, January 2013, http://www.nesta.org.uk/sites/default/files/a_dynamic_mapping_of_the_creative_industries.pdf.

¹² United Nations Development Programme and the United Nations Educational, Scientific and Cultural Organization, *Creative Economy Report Special Edition*, 2013, p19, <http://www.unesco.org/culture/pdf/creative-economy-report-2013-en.pdf>.

Creativity - Occupational Definition

One approach to defining the creative economy is to examine creative occupations. In many cases, when attempting to measure the economic output of the creative economy, a look at occupations is combined with an examination of creative industries. Sixteen reports examined in a study by the Creative Economy Coalition took this approach¹ and one additional report examined occupation independently of any industry analysis.²

Describing creativity through a set of occupations is also the path taken by Richard Florida in his popular but controversial book *The Rise of the Creative Class* (2002). In *Creative Class* occupations, workers are paid to use their minds, in contrast to the Working and Service Classes in which workers are paid to do routine, physical work.³

Florida's nine Creative Class occupational sectors are science, computer and math, arts and media, architecture and engineering, business and finance, law, education, management, and healthcare.⁴ These sectors are very diverse. They share the mind-focused nature of their work but not a connection to art, culture, design, or innovation.

¹ Creative Economy Coalition, *America's Creative Economy: A Study of Recent Conceptions, Definitions, and Approaches to Measurement Across the USA*, August 2013, p22, <https://www.arts.gov/sites/default/files/Research-Art-Works-Milwaukee.pdf>

² Creative Economy Coalition, *America's Creative Economy: A Study of Recent Conceptions, Definitions, and Approaches to Measurement Across the USA*, August 2013, p26, <https://www.arts.gov/sites/default/files/Research-Art-Works-Milwaukee.pdf>

³ Richard Florida, *The Rise of the Creative Class Revisited*, 2012, p9.

⁴ Richard Florida, *The Rise of the Creative Class Revisited*, 2012, p38.

Creativity - Mindset Definition

Many definitions of creativity refer to it as a mindset, problem-solving process, individual talent, or group dynamic. A Creative Mindset is present across industries regardless of their connection to art, culture, design, and innovation.

Bruce Nussbaum identified five core competencies of individual and organizational creativity in his book *Creative Intelligence*¹: Knowledge Mining, Framing, Playing, Making, and Pivoting.

A report commissioned by Adobe in 2014 found that self-identifying creative companies “outperform peers and competitors on key business performance indicators, including revenue growth, market share, and talent acquisition,”² and lists of creative people³ and innovative companies⁴ remain popular news items.

¹ Bruce Nussbaum, *Creative Intelligence*, 2012, p33-37.

² Forrester Consulting, *The Creative Dividend: How Creativity Impacts Business Results*, 2014, p1, <https://landing.adobe.com/dam/downloads/whitepapers/55563.en.creative-dividends.pdf>, see also IBM Corporation, “Capitalizing on Complexity: Insights from the Global Chief Executive Officer Study,” 2010, <https://www-01.ibm.com/common/ssi/cgi-bin/ssialias?htmlfid=GBE03297USEN>.

³ “Most Creative People in Business 2017,” *Fast Company*, 2017, <https://www.fastcompany.com/most-creative-people/2017>.

⁴ “The World's Most Innovative Companies,” *Forbes*, 2017 <https://www.forbes.com/innovative-companies/list/> and “Most Innovative Companies,” *Fast Company*, 2017, <https://www.fastcompany.com/most-innovative-companies>.

The Size and Growth of the Creative Economy

While specific output and employment figures vary by the definition of creative economy used, it is clear that the creative economy is larger than many people realize - and it's growing:

- A study commissioned by the International Confederation of Societies of Authors and Composers suggests that, globally, creative industries generate \$2.25 trillion in revenue annually,¹ and creative industries employ 29.5 million people.²
- The United Nations Development Programme and the United Nations Educational, Scientific and Cultural Organization tout the creative economy as “one of the most rapidly growing sectors of the world economy. It is also a highly transformative one in terms of income-generation, job creation and export earnings ... World trade of creative goods and services totaled a record US\$ 624 billion in 2011, more than doubling between 2002 and 2011. The average annual growth rate of the sector during that period was 8.8 percent, and the exports of creative goods was even stronger in developing countries, averaging 12.1 per cent annually over the same period.”³
- In the United States, according to the National Endowment for the Arts (NEA) and the Bureau of Economic Analysis, in 2014, the annual contribution of the creative economy was \$730 billion or 4.2 percent of gross domestic product (GDP) and, between 1998 and 2014, its contribution to GDP increased by 35 percent.⁴ The arts and culture sector is also a strong contributor to the US international trade surplus, contributing \$26 billion between 1998 and 2014.⁵
- Americans for the Arts examined only businesses, including nonprofits, involved in the production or distribution of the arts, and determined 2.9 million people are employed in the creative economy.⁶

¹ EY, *Cultural times: The first global map of cultural and creative industries*, December 2015, p16, [http://www.ey.com/Publication/vwLUAssets/ey-cultural-times-2015/\\$FILE/ey-cultural-times-2015.pdf](http://www.ey.com/Publication/vwLUAssets/ey-cultural-times-2015/$FILE/ey-cultural-times-2015.pdf).

² EY, *Cultural times: The first global map of cultural and creative industries*, December 2015, p16, [http://www.ey.com/Publication/vwLUAssets/ey-cultural-times-2015/\\$FILE/ey-cultural-times-2015.pdf](http://www.ey.com/Publication/vwLUAssets/ey-cultural-times-2015/$FILE/ey-cultural-times-2015.pdf).

³ United Nations Development Programme and the United Nations Educational, Scientific and Cultural Organization, *Creative Economy Report Special Edition*, 2013, p153, <http://www.unesco.org/culture/pdf/creative-economy-report-2013-en.pdf>.

⁴ Bureau of Economic Analysis & National Endowment for the Arts, *Latest Economic Data Tracks Arts and Cultural Jobs per State*, April 19, 2017, <https://www.arts.gov/news/2017/latest-economic-data-tracks-arts-and-cultural-jobs-state>.

⁵ Sunil Iyengar, Taking Note: Trending Now—an Arts Imperative in Economic Policy, February 2, 2017. <https://www.arts.gov/art-works/2017/taking-note-trending-now%E2%80%94arts-imperative-economic-policy>.

⁶ Americans for the Arts, *Business & Employment in the Arts: Measuring the Scope of the Nation's Arts-Related Industries*, January 1, 2015, <http://www.americansforthearts.org/by-program/reports-and-data/research-studies-publications/creative-industries>.

- The foundation Nesta looked at creative jobs and support jobs in the creative economy, and found a total of 10.3 million jobs in the creative economy.⁷
- The NEA's *Creative Placemaking* report defined the creative economy through a set of industries that employ a high concentration of artists, and identified a workforce of 27 million people.⁸
- According to Richard Florida, under his broad definition of the creative economy, which includes law, business, and health care, there are more than 40 million creative class workers, equal to roughly one-third of the U.S. workforce.⁹

⁷ Max Nathan, Tom Kemeny, Andy Pratt, and Greg Spencer, *Creative Economy Employment in the US, Canada and The UK, A Comparative Analysis*, Nesta, March 2016,

http://www.nesta.org.uk/sites/default/files/creative_economy_employment_in_the_us_canada_and_uk.pdf.

⁸ Ann Markusen and Anne Gadwa, *Creative Placemaking*, 2010, p12 (table: Distribution of Artists in Selected Industries, United States, 2000) <https://www.arts.gov/sites/default/files/CreativePlacemaking-Paper.pdf>.

⁹ Richard Florida, *The Rise of the Creative Class Revisited*, 2012, p8.

Impact Investing

Investors have sought to balance their desire for financial return with their values and social priorities for centuries. In 1604, a Mennonite shareholder of the Dutch East India Company—upon learning that the company was engaging in piracy as a way to boost profitability in their trading operations—divested his stock to signal that such practices were not aligned with the values he had agreed to when he originally invested.¹ In 1848, the Oneida community in upstate New York grappled with how to operate a successful silversmith business for the purpose of funding a utopian community.² As Jed Emerson, Senior Impact Strategist at Impact Assets, explains, “Impact investing is part of a historical arc that goes back centuries and will project itself into the future for centuries to come.”

The term “impact investing” was coined in 2007 at a convening hosted by the Rockefeller Foundation.³ The Global Impact Investing Network (GIIN)⁴ defines impact investing as “investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.”

The past fifteen years have seen a substantial increase in the infrastructure, standards, and momentum of impact investment as a field. The *Council on Foundations-Commonfund Study of Responsible Investing: Foundations Survey 2016* reports that of the 186 philanthropies surveyed representing \$40 billion in endowment assets, nearly a quarter of them have implemented mission-related investments.⁵

The *2016 U.S. Trust Insights on Wealth & Worth* of 684 high net worth individuals revealed a 40% or greater increase in impact asset holdings among women, millennials, Gen Xers, and ultra-high net worth individuals from 2014 to 2016.⁶ Articles and reports from McKinsey & Company, the World Economic Forum, *Forbes* and the *Stanford Social Innovation Review* proclaim that impact investing has gone “mainstream.”

¹ Retrieved January 7, 2017 from <https://www.youtube.com/watch?v=i04IX9dlmUI>

² *ibid*

³ Retrieved December 14, 2016 from <https://www.rockefellerfoundation.org/our-work/topics/impact-investing-and-innovative-finance/>

⁴ The Global Impact Investing Network (GIIN) is a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing.

⁵ <https://www.commonfund.org/wp-content/uploads/News-and-Research/02-Whitepapers-PremiumContent/CCSF-Responsible-Investing-Survey/2016-06-CF-Study-of-Responsible-Investing.pdf>

⁶ Retrieved January 7, 2017 from <http://www.ustrust.com/ust/pages/insights-on-wealth-and-worth-impact-investing-2016.aspx>

Over the last twenty years, impact investment has evolved. What started out as a general set of intentions to align “doing well” financially and “doing good” in the world has turned into a wide range of dedicated products, funds, and strategies intended to allow investors to align their capital with the specific issues they care most about. As the field has developed, impact investors increasingly have opportunities to target their capital to the things they care most about, including microfinance, clean energy, and sustainable agriculture.

Impact Investing in the Creative Economy Today

In 2015, the Global Impact Investing Network's (GIIN) Annual Impact Investor Survey reported Arts and Culture as 0% of the \$60 billion worth of impact assets under management by its global members.¹ The GIIN survey in 2016 combined Arts and Culture into the "Other" category, though the number of survey respondents with allocations to Arts and Culture grew to 18 (out of 158) in 2016 from 12 (out of 147) the prior year.

In 2015, three impact investment advisory firms – Veris Wealth Partners, Tideline, and Bienville Capital Management – working independently could not identify impact investment opportunities in Arts and Culture for clients who requested them. In addition to these three impact wealth advisors, Upstart Co-Lab has had conversations with approximately one hundred impact investors and their wealth advisors confirming their interest in investing in arts and creativity if the investment products, funds and strategies were available.

¹ As of 2015, GIIN was comprised of 158 foundations, banks and other institutional investors. This report of 0% likely means that Arts and Culture investment was less than \$300 million and rounded down to zero.

Comprehensive Community Development

There is a 30-year track record of investing in Creative Places and Creative Businesses as part of comprehensive community development. Conversations with Community Development Finance Institutions (CDFIs) across the U.S. reveal extensive experience and portfolio exposure to Creative Places and small Creative Businesses.

Today many CDFIs - including the two largest national groups, Local Initiative Support Corporation (LISC) and Enterprise Community Partners - have dedicated teams focused on creative placemaking within their overall strategies.

Small business lending is a core part of community development strategies, with 32% of non-credit union CDFI loans going to businesses and microenterprises.¹ LISC and Enterprise are moving away from a concentrated focus on affordable housing, and beginning to investigate how they can help create quality jobs in low income communities. There are already examples of CDFIs like Coastal Enterprises Inc. and Colorado Enterprise Fund supporting small businesses in their local Creative Economy to build community wealth and grow new jobs.

The existing CDFI system can be used to connect impact investment with Creative Places and Creative Businesses for a fast start and scale up of the Creativity Lens. According to the US SIF Foundation Biennial Report of U.S. Sustainable, Responsible, and Impact Investing Trends, community investing is already one of impact investing's fastest growing sectors. Assets nearly doubled between 2014 and 2016 to \$121.6 billion across community development banks, community development credit unions, community development loan funds, and community development venture capital funds.²

Upstart Co-Lab's recent pilot with the Calvert Foundation demonstrates that the existing CDFIs can be used to link impact investors to the Creative Economy, channeling this growing commitment of impact investors to community development. In November 2016, Calvert Foundation closed a \$2.5 million investment in Artspace, the nation's leading nonprofit developer of arts facilities, creating live-work housing, artist studios, arts centers, and commercial space for Creative Businesses. This investment was catalyzed by impact investor Lorrie Meyercord's \$1 million investment in Calvert

¹ U.S. Department of the Treasury Community Development Financial Institutions Fund, 2016, News Detail , July 20, Accessed December 28, 2016, <https://www.cdfifund.gov/news-events/news/Pages/news-detail.aspx?NewsID=221&Category=Press%20Releases>.

² US SIF Foundation, 2016, "Report on US Sustainable, Responsible and Impact Investing Trends," US SIF, Accessed January 22, 2017, <http://www.ussif.org/trends>.

Foundation's Community Investment Note, with an additional \$200,000 sub-debt investment. By mid-2017, five individuals and one foundation had invested an additional \$500,000 in the Community Investment Note allocated to Artspace and affordable artist housing.

Community Development Finance Institution Examples

- Coastal Enterprises
- Colorado Enterprise Fund
- Craft3
- Enterprise community Partners
- IFF
- Local Initiatives Support Corporation
- RSF Social Finance

Coastal Enterprises, Inc.

Coastal Enterprises, Inc. (CEI), headquartered in Portland, Maine, is a Community Development Corporation (CDC) and a Community Development Finance Institution (CDFI) that deploys equity, loans and grants to promote value-added production capacity and local economic growth. Since 1977, CEI has financed 2,649 businesses totaling \$1.27 billion in financing, with 505 loans and investments currently outstanding and \$697 million capital under management.¹

Many of these businesses are in the creative economy, especially in the food and textile sectors. While they do not track the number of businesses representing the creative economy explicitly, CEI Loan & Investment Officer Daniel Wallace estimates that 10% of their portfolio would be considered representative of the sector.² For example, between 2012 and 2015, CEI Ventures invested in **Gelato Fiasco**, a locally-sourced gelato shop in Brunswick, Maine, through three rounds of equity financing, supporting wholesale expansion and a new production facility. The company has a strong local reputation for creating and sustaining quality jobs with high employee retention, employing 49 full-time employees 25 seasonal staff.³

CEI has also partnered with Old Port Wool and Textile on a training program that builds a skilled workforce for its family-run sister company, **American Roots**. American Roots is just one example of high-quality textile and apparel companies re-activating historic mills throughout the state. Committed to paying livable wages and providing benefits to their employees, American Roots has attracted immigrant workers re-settled to Maine from Somalia, Vietnam, Honduras, Iraq, Sudan, Afghanistan, Congo, Burma and Ethiopia, many of whom had stitching careers in their home countries.

Small business incubators and shared workspaces are another trend in CEI's creative economy investments. One such incubator example is **Fork Food Lab** in Portland, Maine, a business that provides shared kitchen space and entrepreneurship opportunities to new local food businesses in Maine. To get them started, CEI provided Fork Food Lab with an equipment loan.⁴ Today, Fork Food Lab provides support to 35+ local food businesses who contribute to their local economic and social communities. Immigrant Kitchens, one Fork Food Lab member, shares immigrant recipes through media outlets, celebrating the diversity of cultural knowledge around food from around the world.⁵ Another member, Steindry, prides themselves on their Maine made sustainable jerky and fruit snacks which they sell to local stores.

¹ <http://www.ceimaine.org/about/impact-and-measurement/>

² Upstart Co-Lab interview with Daniel Wallace, March 6, 2017

³ <http://www.ceimaine.org/about/cei-stories/>

⁴ <https://www.ceimaine.org/about/cei-stories/fork-food-lab/>

⁵ <http://www.immigrantkitchens.com/about>

Colorado Enterprise Fund

Colorado Enterprise Fund (CEF) has a mission to accelerate community prosperity by financing and supporting entrepreneurs and small businesses. They specialize in loans for small businesses and startups unable to secure traditional bank financing. Founded in 1976, CEF offers loans up to \$500,000 to support the success of small businesses, the prosperity of local communities, and the growth of Colorado's diverse economy. In its 40-year history, CEF has loaned a total of \$62 million, with 96% of loan funds paid back. More than half their 2,000 loans have helped low income business owners. CEF's current portfolio includes Creative Businesses such as:

Knotty Ties creates custom-designed ties, bowties, scarves and pocket squares in Denver, Colorado, through an eco-friendly process using 100% organic materials. In 2013, CEF provided Knotty Ties with a loan that allowed them to buy new equipment to increase production capacity at a time when typical investors were not yet interested in their business model. As a result, Knotty Ties has been able to drastically increase sales and staff. They partner with refugee and asylum resettlement agencies like the African Community Center to hire skilled workers who've recently resettled to the United States.¹ One of their employees, Hibo, grew up in conflict-ridden Somalia: "At Knotty Ties, I find peace. And a place with freedom to learn, to laugh, and to grow where you want to."²

Mondo Guerra is a socially-conscious fashion brand and business founded by Denver-based fashion designer Mondo Guerra. Having gained fame from the Project Runway reality television series, Mondo saw increasing demand for his designs but limited financial resources. In 2014, CES provided Mondo with a loan that allowed him to increase production, inventory and staff. As a result, he has been able to grow his business and increase his advocacy efforts. Some of his efforts include design projects with the Colorado Aids Project and World AIDS Day, spokesperson for HIV/AIDS educational initiatives run by Merck and Subaru, working to end youth homelessness in Denver, and empowering young people through art therapy.³

Icebox Knitting manufactures knit headwear and accessories using antique machinery and sustainable and renewable materials under their brands *Xob* and *Dohm*. To date, CEF has provided Icebox Knitting with two loans, one for raw inventory material, and one for expansion. As a result, Icebox has been able to increase production and distribute not only across the United States, but to Japan and South Korea. The business is now a certified B-Corp, a four-time recipient of "Best of Boulder," the *Apparel Magazine Innovator of the Year* recipient, and named one of the *Best in the World for Environmental Impact*.⁴

Fortuna Chocolate makes premium chocolate products from ethically-sources Mexican cacao. After spending years researching the origins of cacao and searching for the most sustainable

¹ <http://www.coloradoenterprisefund.org/stories/s/Knotty%20Tie%20Company/>

² <https://www.knottytie.com/blogs/news/44482437-meet-team-knotty-featuring-hibo>

³ <http://www.coloradoenterprisefund.org/stories/s/mondo%20guerra/>

⁴ <http://www.coloradoenterprisefund.org/stories/s/Icebox%20Knitting/>

and best producers, Fortuna's founders were ready to start their business in Denver, but needed capital. In 2015, CES provided them with the loan they needed to turn a mobile library truck into a mobile chocolate manufacturing lab. Fortuna has since not only grown their business by selling their premium chocolate products, but have advocated for sustainable production and sourcing. In the future, they hope to expand their product line to other ethically-sourced products.⁵

⁵ <http://www.coloradoenterprisefund.org/stories/s/fortuna%20chocolate/>

Craft3

Craft3 is a non-profit CDFI making loans that strengthen businesses, families, and the environment throughout Oregon and Washington state. Founded in 1994 in the rural coastal community of Ilwaco, Washington, the organization now serves the entire Pacific Northwest from seven regional offices. Their portfolio includes \$8.2 million in loans for Creative Places and Businesses, which is 12% of their total portfolio. Since 1992, they have provided loans to 1,092 businesses and leveraged an additional \$1 billion in capital investments locally, and have helped to create or retain more than 12,000 jobs. Additionally, more than 50% of their commercial and consumer portfolio consists of small businesses in the creative economy. One of those is Full Circle Wreath Company, a Mexican immigrant-owned holiday wreath company, for which Craft3 extended a \$50,000 manufacturing startup loan.¹

Craft3 is a lender to Equinox Studios, a 100% artist-owned complex of artist studios and shops. Craft3 provided a significant portion of the \$8.5 million in loans used by Equinox to finance the purchase, repair, and remodel of properties to grow their workable space to nearly 100,000 square feet. Equinox Studios used Craft3 financing to create or retain 73 jobs, 37 of which are living-wage. It leveraged \$2.4 million in additional funds and equity and maintained \$5.6 million of locally owned real estate. As of 2016, Equinox's annual revenue was approximately \$1 million with a net operating income of \$775,000, occupied by 125 artists and artisans including glass blowers, blacksmiths, woodworkers, two painting schools, photographers, leather workers, musicians, filmmakers, and two dance companies.

Another company in Craft3's portfolio is Kiriko, a textile manufacturer based in Portland, OR. Kiriko is a mixture of American and traditional Japanese craftsmanship utilizing boro fabric, a handwoven, hand-dyed fabric originally used by Japanese peasants, merchants, and artisans from the 17th to 19th centuries. Craft3 supported Kiriko with a loan for working capital, leasehold improvements, and inventory to support the company's expansion with an additional retail location and showroom in the Old Town Chinatown area of Northwest Portland - an Urban Renewal District.²

¹ <https://www.craft3.org/results/StoriesOfChange/story-details/full-circle>

² <https://www.craft3.org/results/StoriesOfChange/story-details/kiriko>

Enterprise Community Partners

Since 1982, Enterprise Community Partners has deployed \$30 billion in affordable housing and community development projects, with a strong focus on creative placemaking to achieve their mission of ending housing insecurity in the United States. Under the thesis that Creative Places build trust, social cohesion, and resilience, drive economic development, change neighborhood perception and increase value and investability, they have invested in Creative Places through a mix of grants, equity, and debt. Much of these investments go directly to Community Development Corporations, who drive projects in communities such as:

Santo Domingo, NM

Santo Domingo is a Native American community in NM. More than two thirds of the community are artists, and many support themselves through hand crafts and artwork. The Tribal Housing Authority developed a former trading post along Route 66 into a creative business incubator, creating a space where artists can sell their work as well as build business skills and collaborate and learn from their peers. The incubator also includes programming that permits the artists to sell their work online, thus enabling them to reach customers all around the country.

Wayne, WV

Coalfield Development renovated an old factory that was an eye-sore into a new creative incubator and manufacturing hub for their fine woodworking company and other arts and culture based enterprises. The furniture company, as well as Coalfield's other social enterprises, trains and employs low income community members, many of whom are former coalminers who lost their jobs with the decline of the coal industry. Nella Young of Enterprise explains that CDCs are starting to do this type of work more and more: investing in multiple programs to serve diverse needs for low income residents, and increasingly including the creative economy in their workforce development and business incubation.

Baltimore, MD

Enterprise has taken a holistic approach to their investments in Baltimore - including Seawall Development - making long term investments over many years, helping to shift the overall reputation and investability of the area. Seawall Development has created a series of projects, including housing, commercial, nonprofit, and educational spaces, in addition to a food business incubator and public art and gathering spaces. These investments have fostered a network effect of local cultural institutions and creative businesses in addition to residential development.

LISC

Local Initiatives Support Corporation (LISC) — one of the largest funders of community development in the United States — has invested \$17.3 billion (\$52 billion total development costs) since 1980, including 61 million square feet of commercial, retail, and community space and more than 365,000 affordable housing units.

LISC opened a dedicated creative placemaking program in 2014, formalizing work they had been doing since the 1980s. Over the past 30 years, LISC has invested a total of \$138 million in grants, loans, or project equity in 98 Creative Place and Creative Business projects across the U.S. While LISC lacks complete information on total development costs for all these projects, development costs totaled \$939 million for 78 of the projects. LISC anticipates hitting \$1 billion in total project development costs for Creative Places and Businesses by 2020.¹

In collaboration with Metris Arts Consulting, LISC has just released a report highlighting illustrative case studies of creative placemaking projects around the country, from California, Louisiana, Ohio, Connecticut, Pennsylvania, and more.² A good example is Fountain Square in Indianapolis. Beginning in 1993, a mix of significant investments by LISC (more than \$25 million over 20 years), a community developer SEND (Southeast Neighborhood Development, Inc.), and the private sector helped Fountain Square move from dramatic disinvestment to stabilization and now even speculation.

As an example of a more recent project, LISC is a lender to ArtBuilt Brooklyn, which is a 50,000 square foot affordable arts and arts business production space in the Brooklyn Army Terminal.³ A national nonprofit, ArtBuilt supports arts and culture with programs serving artists, arts organizations, and the public, focusing on financial stability and access to opportunity for artists, arts businesses, and organizations, and broader access to arts and culture for the public. ArtBuilt creates affordable space rental and ownership opportunities for artists and cultural producers of all disciplines, with an emphasis on innovative, adaptive use of existing public spaces, particularly in underserved or disadvantaged communities with limited access to arts and cultural programming and infrastructure. ArtBuilt Brooklyn - to be completed by the end of 2017 - aggregates production space for small producers, building long-term stability for NYC's creative economy, and security for the creative workforce that makes NYC a global cultural capital.

¹ Upstart Co-Lab and the Calvert Foundation, "Creative Places and Businesses: Catalyzing Growth in Communities," April 2017

² More than Storefronts: Insights into Creative Placemaking and Community Economic Development, LISC and Metris Arts Consulting

³ <http://artbuilt.org/artbuilt-brooklyn/>

RSF Social Finance

RSF Social Finance is committed to offering innovative opportunities to invest, give and get funding that generate positive social, economic and ecological impact. RSF serves social entrepreneurs (non-profit organizations and for-profit companies) across multiple focus areas, including sustainable food & agriculture, educations & the arts, ecological stewardship, and workforce development. Since 1984, RSF has made over \$450 million in loans, investments, and grants.

At RSF the arts are viewed as central to the renewal of culture because of its vital role in fulfilling people's intellectual, emotional, aesthetic, and social needs. We focus our funding on art service organizations that further the interests of artists, creators, and arts organizations.

The RSF portfolio includes \$11.3 million in Creative Places and Businesses – roughly 10% of the total portfolio – RSF has a distinctive strategic focus that includes focusing on deeply transformational organizations, including the accessibility of space for artists to iterate, practice, and create.

RSF employs an approach called Integrated Capital within its deployment strategy. Integrated capital is the coordinated use of different forms of financial capital and non-financial resources to support an enterprise that's working to solve complex social and environmental problems.

Equinox Studios, Seattle, WA

Equinox Studios was founded in 2006 as an enclave for artists and artisans. Located in four adjacent factory buildings in Georgetown, Seattle, Equinox hosts 101 studios and shops. In them are over 125 tenants that do amazing work, from blacksmithing and metal sculpture to painting and ceramics. Equinox is a growing community that collaborates in order to create inspiring work that engages the public—allowing them to come and experience the arts in the place where they are made. RSF has supported Equinox's goals of providing more studio space through creatively designing facility financing.

Veritable Vegetable, San Francisco, CA

Founded in the early 1970s, Veritable Vegetable is a women-owned business that distributes organic produce by purchasing, transporting and supplying the highest quality organic fruits and vegetables on the market. The company is unique in its commitment to making every business decision based on their values. Veritable Vegetable is a certified B Corporation, using the power of business to solve social and environmental challenges. RSF worked to meet the complex financing needs of Veritable Vegetable by coordinating multiple parties and multiple forms of capital to get the project done.

Lumberyard, New York City, NY

RSF Social Finance recently provided a \$5 million loan to Lumberyard Contemporary Performing Arts in New York City to construct a state-of-the-art facility near the Hudson River waterfront in Catskill, New York. The financing will drive a key part of Lumberyard's efforts to economically and culturally revitalize the region where its new campus will open in the spring of 2019, bringing jobs, tourism, cultural activity, and other economic development activities. The location will also serve artists by providing them with technical support and residencies before a national or New York premiere.

Urban Teachers, Baltimore, MD

Every child deserves an excellent teacher. Students in urban school districts, however, often receive the least capable ones available. Urban Teachers, a non-profit organization, seeks to change that dynamic by offering high-need schools a supply of competent educators who are ready to make a difference in

student's lives from day one. The organization does this by recruiting teaching candidates and equipping them with state-of-the-art training that weds practice and study over four years. Since 2009, Urban Teachers has welcomed over 500 aspiring teachers and expanded to 93 schools across Baltimore and Washington, DC. RSF collaborated with the community to provide a working capital line of credit to support growth.

RecycleForce, Indianapolis, IN

RecycleForce offers comprehensive, innovative and responsible recycling services while providing life-changing workforce training to formerly incarcerated individuals. Taking the electronic waste and other recyclables provided by residents and corporate partners, RecycleForce deconstructs these items, recycles the materials and disposes of the waste safely and cleanly. The scrap metals and other reusable materials collected in this process are then sold to help pay for job training programs for formerly incarcerated men and women in order to support their re-entry back into society. RSF has providing extensive equipment financing to improve their output and ability to secure recycling contracts.

Creative Place Definition

We define Creative Places as multi-tenant housing, workspace, co-packing, and retail real estate projects that are affordable and target creatives and benefit their neighbors. Our definition of Creative Places is focused on physical buildings that support and enable creatives to drive community impact.

To arrive at our definition of Creative Places, we looked at how the National Endowment for the Arts, ArtPlace America, and the Kresge Foundation define creative placemaking:

- National Endowment for the Arts: Creative placemaking is when artists, arts organizations, and community development practitioners deliberately integrate arts and culture into community revitalization work—placing arts at the table with land-use, transportation, economic development, education, housing, infrastructure, and public safety strategies.
- ArtPlace America: Creative placemaking is when art plays an intentional and integrated role in place-based community planning and development.
- Kresge Foundation: Creative placemaking is a comprehensive community development approach that intentionally embeds arts, culture, and community-engaged design into strategies to stabilize communities.¹

These definitions all revolve around arts and culture playing a role in community-based work. The National Endowment for the Arts and ArtPlace consider a range of non-arts outcomes, while the Kresge Foundation focuses specifically on stabilizing communities. Additional research efforts by the Brookings Institution,² the National Association of Governors,³ the Federal Reserve Bank of San Francisco⁴ and others have drawn attention to the power of creatives to positively influence the economic health and social prosperity of a community.

¹ The Kresge Foundation, Arts & Culture, <http://kresge.org/programs/arts-culture>.

² Michael Rushton, ed., *Creative Communities: Art Works in Economic Development*, April 12, 2013.

³ National Governor's Association, *Arts and The Economy: Using Arts and Culture to Stimulate State Economic Development*, January 14, 2009
<https://www.nga.org/files/live/sites/NGA/files/pdf/0901ARTSANDECONOMY.PDF>.

⁴ Laura Callanan, ed., *Community Development Investment Review* (Federal Reserve Bank of San Francisco), 2014, <http://www.frbsf.org/community-development/files/cdir-10-02-final.pdf>.

Creative Business Definition

We define Creative Businesses as facility, input, production, and distribution businesses in arts, design, culture, and innovation industries that are run sustainably, provide quality jobs and have a social impact.

We identified industries connected to art, culture, design and innovation beginning with the list of 70 North American Industry Classification System (NAICS) codes that were common to 50% or more the reports examined in the study completed by the Creative Economy Coalition.¹ This list includes businesses connected to design, entertainment, publishing, broadcasting, advertising, arts education, fashion, and food. After consulting other creative economy definitions, we identified 74 additional codes for industries where we think substantial creative economic activity occurs, for a total of 144 NAICS codes. See how Upstart Co-Lab defines the creative economy by industry here.

We concede that not all businesses within these 144 NAICS codes are a perfect fit: NAICS codes are not granular enough to separate creative from non-creative businesses within a singular industry. For this reason, most measures of the creative economy tend to exclude industries where there is ambiguity, undercounting the total size of the creative economy.

The three categories where the ambiguity is greatest are food, the manufacturing and sales of tangible goods, and health and beauty.

Food - NAICS codes connected to food are mostly excluded from the definitions of creative economy examined in the CEC study. The only reports to broadly include food related codes were prepared by the Louisiana Office of Cultural Development, a place with historically strong ties between food and culture.² Some food categories like breweries, wineries, baked goods stores, confectionery and nut stores, and full-service restaurants were included in a handful of other reports.³

¹ Creative Economy Coalition, *America's Creative Economy: A Study of Recent Conceptions, Definitions, and Approaches to Measurement Across the USA*, August 2013, p4, <https://www.arts.gov/sites/default/files/Research-Art-Works-Milwaukee.pdf>.

² Creative Economy Coalition, *America's Creative Economy: A Study of Recent Conceptions, Definitions, and Approaches to Measurement Across the USA*, August 2013, p106-126, <https://www.arts.gov/sites/default/files/Research-Art-Works-Milwaukee.pdf>.

³ Creative Economy Coalition, *America's Creative Economy: A Study of Recent Conceptions, Definitions, and Approaches to Measurement Across the USA*, August 2013, p106-126, <https://www.arts.gov/sites/default/files/Research-Art-Works-Milwaukee.pdf>.

For example, food businesses that are the epitome of creativity—such as Jeni’s Splendid Ice Creams, a certified B Corporation that produces artisanal ice cream, founded by artist Jeni Britton Bauer—are in the same industry category as fast food companies. While not all food-related businesses are creative, many are. The Perennial and Greenbelt Hospitality are two such examples.

Manufacturing and Sales - Few would dispute that fashion designers, toy designers, and furniture designers are doing creative work and are part of the creative economy. But when it comes to manufacturing and selling the products generated by these designers, there are many paths to market. In some cases, the act of designing a product is divorced from manufacturing and sales. But in other cases manufacturing and sales are vertically integrated with design work, and are as much a part of the creative process as the design itself. Two examples are Opportunity Threads and Urban Plough Furniture.

Health and Beauty - Some businesses in the health and beauty sector are tied to culture. Hair care and styling, nail care, and body art including tattoos and henna are bound to identity and culture for many racial and ethnic groups.⁴ For example, hair salons and barber shops have long been community gathering places, especially in African-American communities.⁵ Today we see community health and beauty businesses doubling as creative spaces, as well as offering clients an opportunity for personal creative expression. Health and beauty businesses like Let Em Have It Salon and Nailbot meet all of the requirements to be a Creative Business and should not be excluded from consideration as investment opportunities for impact investors eager to support creativity just because other health and beauty businesses do not meet those standards.

Upstart suggests impact investors start with these 144 NAICS codes using industry as a first filter, and then assess whether a given business meets the more subjective test for creativity, as well as expectations for sustainability, quality jobs and social impact. Read about some of the Creative Businesses Upstart Co-Lab is following here.

⁴ Hillary Reinsberg, “Why Everyone Suddenly Cares About Nail Art,” BuzzFeed, April 10, 2012, https://www.buzzfeed.com/hillaryreinsberg/why-everyone-suddenly-cares-about-nail-art?utm_term=.soqdd46M#.bg0334W8; Michelle Persad, “What Henna Is, And Where These Beautiful Tattoos Originated,” *HuffPost*, July 1, 2015, http://www.huffingtonpost.com/2015/07/01/what-is-henna-tattoos-history-where-to-get_n_7698546.html; Cheryl Thompson, “Black Women and Identity: What’s Hair Got to Do With It?,” *Michigan Feminist Studies: Politics and Performativity*, Fall 2008-2009, <http://hdl.handle.net/2027/spo.ark5583.0022.105>.

⁵ Lisa Respers France, “In the black culture, a richness of hairstory,” *CNN*, July 20, 2009, <http://www.cnn.com/2009/LIVING/06/24/bia.black.hair/index.html>; Kai Ryssdal, “A history of the African-American barbershop,” *Marketplace*, January 28, 2014, <https://www.marketplace.org/2014/01/28/economy/history-african-american-barbershop>.

Outside of the scope of Upstart's definition of Creative Businesses are:

- Purely commercial arts, design, entertainment, and media activities with no intended or identifiable social impact
- Asset-backed investment products built off artists' repertoires, such as Bowie Bonds which are based on David Bowie album revenues
- Art funds invested in fine art objects, such as a paintings, photographs, sculptures

North American Industry Classification System Codes for Creative Businesses

The North American Industry Classification System (NAICS) is the standard used by U.S. federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.

The following NAICS codes describe businesses engaged in the inputs, production, and distribution of creative products relevant to the definition of Creative Businesses used in this research. Businesses engaged primarily in facilities development, construction, and real estate for artists, designers, makers including those using technology would be classified as Creative Places.

Sugar and Confectionary Product Manufacturing, Dairy Product Manufacturing, and Bakeries and Tortilla Manufacturing

| | |
|--------|--|
| 311340 | Non-chocolate Confectionery Manufacturing |
| 311351 | Chocolate and Confectionery Manufacturing from Cacao Beans |
| 311352 | Confectionery Manufacturing from Purchased Chocolate |
| 311520 | Ice Cream and Frozen Dessert Manufacturing |
| 311811 | Retail Bakeries |
| 311812 | Commercial Bakeries |
| 311813 | Frozen Cakes, Pies, and Other Pastries Manufacturing |
| 311821 | Cookie and Cracker Manufacturing |

Other Food Manufacturing

| | |
|--------|--|
| 311919 | Other Snack Food Manufacturing |
| 311941 | Mayonnaise, Dressing, and Other Prepared Sauce Manufacturing |

Sauce Manufacturing

| | |
|--------|--|
| 311991 | Perishable Prepared Food Manufacturing |
|--------|--|

Beverage Manufacturing

| | |
|--------|--------------|
| 312120 | Breweries |
| 312130 | Wineries |
| 312140 | Distilleries |

Apparel Manufacturing and Leather and Applied Product Manufacturing

| | |
|--------|---|
| 315210 | Cut and Sew Apparel Contractors |
| 315220 | Men's and Boys' Cut and Sew Apparel Manufacturing |
| 315240 | Women's, Girls', and Infants' Cut and Sew |
| 315280 | Other Cut and Sew Apparel Manufacturing |
| 315990 | Apparel Accessories and Other Apparel Manufacturing |
| 316110 | Leather and Hide Tanning and Finishing |
| 316210 | Footwear Manufacturing |
| 316992 | Women's Handbag and Purse Manufacturing |
| 316998 | All Other Leather Good and Allied Product Manufacturing |

Paper Manufacturing and Printing and Related Supporting Activities

| | |
|--------|---|
| 322230 | Stationery Product Manufacturing |
| 323111 | Commercial Printing (except Screen and Books) |
| 323113 | Commercial Screen Printing |
| 323117 | Books Printing |
| 323120 | Support Activities for Printing |

Clay Product and Refractory Manufacturing

| | |
|--------|---|
| 327110 | Pottery, Ceramics, and Plumbing Fixture Manufacturing |
|--------|---|

Fabricated Metal Product Manufacturing and Furniture and Related Product Manufacturing

| | |
|--------|---|
| 332323 | Ornamental and Architectural Metal Work Manufacturing |
| 337110 | Wood Kitchen Cabinet and Countertop Manufacturing |
| 337121 | Upholstered Household Furniture Manufacturing |
| 337122 | Non-upholstered Wood Household Furniture Manufacturing |
| 337124 | Metal Household Furniture Manufacturing |
| 337125 | Household Furniture (except Wood and Metal) Manufacturing |
| 337127 | Institutional Furniture Manufacturing |
| 337211 | Wood Office Furniture Manufacturing |
| 337212 | Custom Architectural Woodwork and Millwork Manufacturing |
| 337214 | Office Furniture (except Wood) Manufacturing |
| 337215 | Showcase, Partition, Shelving, and Locker Manufacturing |

Other Miscellaneous Manufacturing

| | |
|--------|--------------------------------------|
| 339910 | Jewelry and Silverware Manufacturing |
|--------|--------------------------------------|

339930 Doll, Toy, and Game Manufacturing
 339950 Sign Manufacturing
 339992 Musical Instrument Manufacturing

Furniture and Home Furnishing Merchant Wholesalers and Professional and Commercial Equipment and Supplies Merchant Wholesalers

423210 Furniture Merchant Wholesalers
 423220 Home Furnishing Merchant Wholesalers
 423410 Photographic Equipment and Supplies Merchant Wholesalers

Miscellaneous Durable Goods Merchant Wholesalers

423920 Toy and Hobby Goods and Supplies Merchant Wholesalers
 423940 Jewelry, Watch, Precious Stone, and Precious Metal Merchant Wholesalers
 423990 Other Miscellaneous Durable Goods

Merchant Wholesalers, Nondurable Goods

424120 Stationery and Office Supplies Merchant Wholesalers
 424320 Men's and Boys' Clothing and Furnishings Merchant Wholesalers
 424330 Women's, Children's, and Infants' Clothing and Accessories Merchant Wholesalers
 424340 Footwear Merchant Wholesalers
 424920 Book, Periodical, and Newspaper Merchant Wholesalers

Furniture and Home Furnishings Stores

442110 Furniture Stores
 442210 Floor Covering Stores
 442291 Window Treatment Stores
 442299 All Other Home Furnishings Stores

Food and Beverage Stores

445291 Baked Goods Stores
 445292 Confectionery and Nut Stores
 445299 All Other Specialty Food Stores

Clothing and Clothing Accessories Stores

448110 Men's Clothing Stores
 448120 Women's Clothing Stores

| | |
|--------|---|
| 448130 | Children's and Infants' Clothing Stores |
| 448140 | Family Clothing Stores |
| 448150 | Clothing Accessories Stores |
| 448190 | Other Clothing Stores |
| 448210 | Shoe Stores |
| 448310 | Jewelry Stores |
| 448320 | Luggage and Leather Goods Stores |

Sporting Goods, Hobby, Musical Instrument, and Book Stores; General Merchandise Stores; and Miscellaneous Store Retailers

| | |
|--------|--|
| 451120 | Hobby, Toy, and Game Stores |
| 451140 | Musical Instrument and Supplies Stores |
| 451211 | Book Stores |
| 451212 | News Dealers and Newsstands |
| 452319 | All Other General Merchandise Stores |
| 453220 | Gift, Novelty, and Souvenir Stores |
| 453920 | Art Dealers |

Publishing Industries (except Internet)

| | |
|--------|--------------------------|
| 511110 | Newspaper Publishers |
| 511120 | Periodical Publishers |
| 511130 | Book Publishers |
| 511191 | Greeting Card Publishers |
| 511199 | All Other Publishers |
| 511210 | Software Publishers |

Motion Picture and Video Industries

| | |
|--------|---|
| 512110 | Motion Picture and Video Production |
| 512120 | Motion Picture and Video Distribution |
| 512131 | Motion Picture Theaters (except Drive-Ins) |
| 512132 | Drive-In Motion Picture Theaters |
| 512191 | Tele-production and Other Postproduction Services |
| 512199 | Other Motion Picture and Video Industries |

Sound Recording Industries

| | |
|--------|------------------|
| 512230 | Music Publishers |
|--------|------------------|

512240 Sound Recording Studios
512250 Record Production and Distribution
512290 Other Sound Recording Industries

Broadcasting (except Internet)

515111 Radio Networks
515112 Radio Stations
515120 Television Broadcasting
515210 Cable and Other Subscription Programming

Other Information Services

519110 News Syndicates
519120 Libraries and Archives
519130 Internet Publishing and Broadcasting and Web Search Portals

Consumer Goods Rental

532281 Formal Wear and Costume Rental
532282 Video Tape and Disc Rental

Architectural, Engineering, and Related Services and Specialized Design Services

541310 Architectural Services
541320 Landscape Architectural Services
541330 Engineering Services
541340 Drafting Services
541410 Interior Design Services
541420 Industrial Design Services
541430 Graphic Design Services
541490 Other Specialized Design Services

Advertising, Public Relations, and Related Services

541810 Advertising Agencies
541820 Public Relations Agencies
541830 Media Buying Agencies
541840 Media Representatives
541850 Display advertising
541860 Direct mail advertising
541890 Other services related to advertising

Other Professional, Scientific, and Technical Services

- 541921 Photography Studios, Portrait
- 541922 Commercial Photography

Other Schools and Instruction

- 611610 Fine Arts Schools

Performing Arts, Spectator Sports, and Related Industries and Museums, Historical Sites, and Similar Institutions

- 711110 Theater Companies and Dinner Theaters
- 711120 Dance Companies
- 711130 Musical Groups and Artists
- 711190 Other Performing Arts Companies
- 711310 Promoters of Performing Arts, Sports, and Similar Events with Facilities
- 711320 Promoters of Performing Arts, Sports, and Similar Events without Facilities
- 711410 Agents and Managers for Artists, Athletes, Entertainers, and Other Public Figures
- 711510 Independent Artists, Writers, and Performers
- 712110 Museums
- 712120 Historical Sites

Food Services and Drinking Places

- 722310 Food Service Contractors
- 722320 Caterers
- 722330 Mobile Food Services
- 722410 Drinking Places (Alcoholic Beverages)
- 722511 Full-Service Restaurants
- 722513 Limited-Service Restaurants
- 722514 Cafeterias, Grill Buffets, and Buffets
- 722515 Snack and Nonalcoholic Beverage Bars Merchant Wholesalers

Personal Care Services

- 812111 Barber Shops
- 812112 Beauty Salons
- 812113 Nail Salons

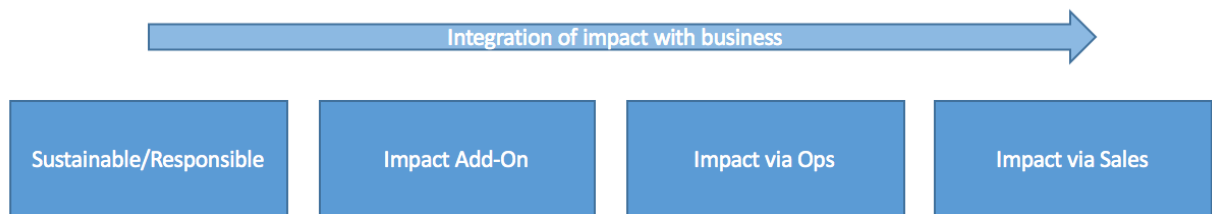
Photofinishing

- 812921 Photofinishing Laboratories (except One-Hour)
- 812922 One-Hour Photofinishing

Social Purpose Business Framework

Upstart Co-Lab believes that there are four primary categories of businesses that deliver social impact: Sustainable/Responsible, Impact “Add-On,” Impact via Ops, and Impact via Product/Service.

These categories may be organized along a spectrum based on the alignment between impact and core business activities (left to right). This spectrum illustrates the diverse range of investible social purpose businesses. It is possible to identify Creative Businesses that fit all these categories.



| | Sustainable/Responsible | Impact “Add-On” | Impact via Ops | Impact via Product/Service |
|---|--|---|---|---|
| Description | Commitment to sustainable business practices regarding employees, community, environment, and transparency Example: B Corporations | Customer purchases drive contributions or subsidized sales of products often on a 1:1 basis – includes “social giving” models Example: TOMS | Business hiring practices and/or supply chain target stakeholders who benefit from jobs or vendor opportunities; impact is internal to company operations Example: Greyston Bakery | Goods or services delivered by the business have a positive benefit; impact is external through customers of the company Example: Solar Sister |
| Impact core to business? | Agnostic to product or service of business; any type of business can adopt sustainable practices towards employees, the environment and their community, and be transparent about their activities | Core to the business’s identity and mission, but is not directly related to either its operations or the product/service produced by the company | Directly tied to the operations of the business, but product or service may not be distinguishable from conventional offerings | Directly tied to the product or service sold by the company |
| Pipeline? | Almost any business can be run sustainably | A limited set of business models are sustaining this approach today (e.g. TOMS Shoes, Warby Parker, Aravind Eye Hospital). If customers decide to separate their purchasing from their giving, the business opportunity may close | Manufacturing businesses may be best suited for this model due to its focus on personnel and supply chain | A limited set of products and services will in and of themselves have a positive social impact, suggesting this approach will not work for all businesses |
| Examples in the Creative Economy | Andy Smith Photography Honeyman Design Studios | TOMS Warby Parker State Bags | Etkie Jen’s Splendid Ice Cream Zady | E-Line Media Etsy Kickstarter |

Examples of Creative Businesses

- E-Line Media
- ELIA
- Greenbelt Hospitality
- Jeni's Splendid Ice Cream
- Let Em Have It Salon
- March 4th, Inc.
- Nailbot
- Opportunity Threads
- Sen Sound
- The Perennial
- Urban Plough Furniture
- Zady
- Ziel

ELIA

There are an estimated 8.4 million individuals with visual impairment in the United States but only about 59,000 who can read Braille. To address this health issue, ELIA LifeTechnology's designers created a new, easier to learn tactile alphabet, the ELIA FRAMES.¹ Since the vast majority of visually impaired people lose their vision later in life, ELIA FRAMES is based on the standard Roman alphabet. ELIA FRAMES functions as a font so it's simple to convert any word processing document into ELIA FRAMES and then print it with a modified consumer printer. ELIA is also working to produce a tactile printer for ELIA FRAMES and Braille, as well as a tactile E-reader.

¹ ELIA LifeTechnology, <http://www.elialife.com/>.

E-Line Media

E-Line Media is a video game developer and publisher “passionate about harnessing the power of games to help players understand and shape the world.”¹ E-Line was founded in 2008 by Michael Angst and Alan Gershenfeld as an impact investment vehicle for digital media and transformed into a specialty digital publisher dedicated making positive impact with games and immersive experiences in both the consumer and educational channels. E-Line’s games include Never Alone, a game developed in collaboration with the Iñupiat community that has helped connect millions of players around the world with Alaska Native culture, and Gamestar Mechanic, a game-based learning platform and online community designed to help youth learn computational thinking where over a million students have shared their voice through the making of an original game.

¹ E-Line Media, <http://www.elinemedias.com/about>

Greenbelt Hospitality

Artist and fourth generation farmer Matthew Moore has teamed up with third generation restaurateur Aric Mei to launch Greenbelt Hospitality. The concept puts a working, two-acre organic farm in an urban park; couples it with an affordable restaurant serving farm to table meals; and places education and art events at the core of the complex. Any city with public park land can host this self-sustaining creative enterprise. The all-in-one location “provides a unique opportunity to learn about farming and cooking in tandem, an experience rarely seen in an urban setting.”¹ Customers get affordable, healthy food and a deeper understanding of how food that ends up on our tables. As it grows beyond its home-base in Phoenix, Greenbelt will seek places where it can complement community development efforts.²

¹ Greenbelt Hospitality, <http://greenbelthospitality.com/#title-our-model>.

² Greenbelt Hospitality, <http://greenbelthospitality.com/#title-community-benefits>.

Jeni's Splendid Ice Creams

Jeni Britton Bauer opened Jeni's Splendid Ice Creams in 2002 in Columbus, Ohio's historic North Market, and now with her small team operates 15 shops from Chicago to Atlanta. Pints and ice cream sandwiches are also available at more than 900 US groceries, as well as online through Jeni's home-shipping business.

Partnering with Ohio farms, Direct Trade growers and producers, and women-led businesses, Jeni's Splendid Ice Creams employs a diverse working community and incorporates recycling programs into its business model. The company is a certified B Corporation.

Jeni and her hands-on crew make every batch of ice cream, sorbet, and frozen yogurt in their kitchens in Columbus. To build everything from the ground up, they use cream from grass-grazed Ohio cows, whole fruits, vegetables, and herbs from nearby farms, as well as carefully sourced ingredients from around the world, including rare, fair-trade vanilla and bean-to-bar direct trade chocolate. Signature Flavors, such as Salty Caramel and Pistachio & Honey, anchor a menu that also includes limited-edition, quarterly flavor collections inspired by the seasons, pop culture, culinary history, and world trends.¹

Jeni's art background inspires her creative process in the kitchen. "An artist is first a researcher. Gathering information, configuring and reconfiguring components, and working and reworking texture," says Jeni. "Our whole company adheres as much to an artist's credo as that of business — that we keep searching, we are never finished, always critical of our own work, and always willing to devote whatever it takes to make ice creams, service, and artwork that only we can make."

Jeni's first cookbook, *Jeni's Splendid Ice Creams at Home*, is a *New York Times* bestseller and winner of a James Beard Award. Jeni's latest book, *Jeni's Splendid Ice Cream Desserts*, was published in 2014. In 2015, she was dubbed one of *Fast Company's* Most Creative People in Business. Most recently, she was awarded an honorary doctorate in business administration from Ohio State University.²

¹ <https://www.bcorporation.net/community/jenis-splendid-ice-creams>

² <http://www.upstartco-lab.org/artist/jeni-britton-bauer/>

The Let Em Have It Salon

The Let Em Have It Salon in Denver, Colorado, supported with a loan from the Colorado Enterprise Fund, operates not just as a sustainably run hair salon but also “a hub for creativity and learning.”¹ The salon showcases art by local artists, hosts get-togethers and fundraisers, offers discounts for people who work in social services, and donates products and services to non-profits. The salon is working to become a certified B Corporation.

¹ Let Em Have It Salon in Denver profile at Ours to Own, <http://www.ourstowntown.org/denver/success-stories/passion-fashion-art-enriches-community/>.

March 4th, Inc.

March 4th, Inc. is a children's book publisher and media developer.¹ Unable to find a publisher committed to sustainable production, Rana DiOrio founded March 4th to publish the books she had written to explain diversity to her kids. March 4th's stories teach kindness, bravery, honesty, empathy, and patience in the form of books, video, film, and an augmented reality story app. March 4th is a B Corporation, reflecting the values and lessons promoted in the stories it produces.

¹ March 4th, f/k/a Little Pickle Press, <http://www.littlepicklepress.com/our-story/>.

Opportunity Threads

Opportunity Threads is a textile manufacturer in western North Carolina.¹ It is a democratically-owned cooperative that produces high-end textiles. Creativity courses through every element of Opportunity Threads from their in-house design and patternmaking to its business model, the way it produces textiles, and the way it treats its employees. It is a \$1.2 million operation with 20 employees.² The cooperative operates a zero-waste facility³ and provides quality jobs: full time work, benefits, living wage, cross-training, and opportunities for ownership.⁴

¹ Steven L. Dawson, "Social Enterprise: Proceed, with Caution," *The Pinkerton Papers*, February 2017, p5, <http://www.thepinkertonfoundation.org/wp-content/uploads/2017/02/Pinkerton-Papers-No4-Dawson-FINAL-WEB.pdf>.

² Steven L. Dawson, "Social Enterprise: Proceed, with Caution," *The Pinkerton Papers*, February 2017, p5, <http://www.thepinkertonfoundation.org/wp-content/uploads/2017/02/Pinkerton-Papers-No4-Dawson-FINAL-WEB.pdf>.

³ See "What do you do with scraps?" <http://opportunitythreads.com/faq/>.

⁴ Steven L. Dawson, "Social Enterprise: Proceed, with Caution," *The Pinkerton Papers*, February 2017, p5, <http://www.thepinkertonfoundation.org/wp-content/uploads/2017/02/Pinkerton-Papers-No4-Dawson-FINAL-WEB.pdf>.

Sen Sound

Ambient electronic musician Yoko Sen founded Sen Sound to transform the sound environment in hospitals. In her own words, “several years ago I got sick and had to spend many hours in hospitals. I was so terrified by what I heard - the cacophony of alarms, beeps, people screaming, doors getting slammed. Lying on the bed, I used to wonder - some people say hearing is the last sense to go when we pass away; what is the last sound I get to hear at the end of my life? Sound is largely ignored in healthcare - even though the aesthetics of it could have a great impact on our sense of wellbeing - and a sense of dignity.” Sen Sound is working in partnership with Johns Hopkins Sibley Innovation Hub to prototype technology solutions to alleviate the loud noises common throughout hospitals.

Urban Plough Furniture

Urban Plough Furniture was founded by Matthew Moore a multimedia artist in Phoenix, Arizona. Urban Plough Furniture designs and creates interiors and custom-built furniture which priorities the users experience through the form of the pieces and the materials from which they are crafted. In business for just one year, it has five employees and projected gross revenues of \$1 million. Urban Plough has designed a new adjustable height work station for offices that fills a void of in current offerings with quality and beautiful design, called upfurniture.

Zady

Zady is a sustainable fashion shopping platform for environmentally-conscious consumers founded by Soraya Darabi and Maxine Bédard. Clothes are selected using criteria for sustainability, including whether the product is locally-sourced, handmade, uses high-quality raw materials, is environmentally-conscious, or made in the U.S.A.¹ Zady's founders want to revolutionize the "fast fashion" business model that produces cheap (in both cost and quality) clothes and encourages consumers to buy frequently, producing substantial waste. Zady's *The New Standard* is a manifesto committed to designing for longevity, lowering the environmental footprint, and supporting American factories.²

¹ Leena Rao, "Foodspotting Co-Founder Soraya Darabi Debuts New E-Commerce And Retail Startup Zady," *TechCrunch*, July 9, 2013, <https://techcrunch.com/2013/07/09/foodspotting-co-founder-soraya-darabi-debuts-new-ecommerce-and-retail-startup-zady/>.

² Team Zady, "The New Standard: Why Now?," zady.com, <https://zady.com/features/the-new-standard-why-now>.

Ziel

Ziel manufactures on-demand, high performance, private label active-wear company for athletes, celebrity trainers, and fitness centers. A public benefit corporation, Ziel's fabric is made from recycled plastic bottles, its production process uses less water than conventional production, and by manufacturing its clothes on demand, Ziel eliminates wasteful over-production. In addition to their positive impact on the environment, the company's on-demand model allows them to offer active-wear in a wide variety of sizes, encouraging body positivity and a type of inclusiveness unusual to the fashion industry. Lastly, Ziel is bringing high quality manufacturing jobs back to the U.S. in its New York City area factory.

Deep Dives in the Creative Economy

While there is much entrepreneurial and investment activity occurring across the creative economy, we believe that three industries in particular demonstrate the diverse range of opportunities in the space: ethical fashion, sustainable food, and social impact media. We have profiled these industries, focusing on historical and emerging trends, illustrative companies, and investment funds explicitly targeting them. We explore how these impact subsets fit within the prevailing trends of their respective mainstream industries.

- Ethical Fashion
- Sustainable Food
- Social Impact Media

WORK IN PROGRESS

Learning from Gender Lens Investing

Upstart Co-Lab's approach to introducing a Creativity Lens is modeled on how investors and advocates built the Gender Lens for investing to elevate women and girls.¹

Investing with the goal of supporting women traces its roots back at least 40 years from the time of this writing to the founding in 1976 of Women's World Banking, a microfinance nonprofit focused on women. Gender Lens investing took another big step in 1993 when Linda Pei launched the Women's Equity Fund, the first mutual fund that incorporated analysis of company policies towards women into its investment strategy.

Then in 2010, the Criterion Institute, led by Joy Anderson and Jackie VanderBrug, created The Women Effect Investments Initiative.² The Initiative started as a series of conversations with leaders in finance and a set of research questions on how gender impacts business. Over five years, the Initiative built the business and investment case for a Gender Lens, hosted convenings to problem-solve and promote Gender Lens investing, and worked with wealth advisors, Community Development Finance Institutions, and impact investors to launch several new investment products for investing with a Gender Lens.

Gender Lens investing has grown from an idea to an investable strategy in a short timeframe. A 2015 report by Veris Wealth Partners outlined a sample of available public and private Gender Lens investment opportunities, including five in private equity, six in public equity, three in private fixed income, three in public fixed income, and one in each of private and public customized portfolios.³ In their 2016 annual study on impact investing, USSIF: The Forum for Sustainable and Responsible Investment, tracked assets invested through a Gender Lens and found nearly \$132 billion in money manager assets and \$397 billion in institutional investor assets.⁴

Gender Lens advocates made significant progress quickly by simultaneously pursuing several objectives: framing the investment case through research and thought leadership; building a coalition of stakeholders and supporters through outreach and convenings; and developing investment products that enable impact investors to target their capital.

¹ Joseph Quinlan and Jackie VanderBrug, *Gender Lens Investing: Uncovering Opportunities for Growth, Returns, and Impact*, 2017 and Criterion Institute, *The State of the Field of Gender Lens Investing: A Review and A Road Map*, 2015, <https://criterioninstitute.org/wp-content/uploads/2016/07/Latest-State-of-the-Field-of-Gender-Lens-Investing-7-28-2016-V1.pdf>.

² Criterion Institute, *The State of the Field of Gender Lens Investing: A Review and A Road Map*, 2015, <https://criterioninstitute.org/wp-content/uploads/2016/07/Latest-State-of-the-Field-of-Gender-Lens-Investing-7-28-2016-V1.pdf>.

³ Veris Wealth Partners, *Women, Wealth & Impact: Investing with a Gender Lens 2.0*, March 2015, p5.

⁴ Executive Summary, *US Sustainable, Responsible and Impact Investing Trends*, 2016, p16. [http://www.ussif.org/files/SIF_Trends_16_Executive_Summary\(1\).pdf](http://www.ussif.org/files/SIF_Trends_16_Executive_Summary(1).pdf)

Defining a Creativity Lens

A lens brings things into focus, magnifying what may be hard to see with the naked eye, and allowing viewers to spot what's approaching on the horizon. In the context of impact investing, a lens is a viewfinder that reveals new opportunities.

Upstart Co-Lab proposes a Creativity Lens to help bring into focus the impact investment potential of the Creative Places and Creative Businesses, to reveal opportunities that up until now have not been fully recognized, but are undoubtedly coming as the creative economy grows.

Businesses in the creative economy make markets by informing and educating consumers about products that are organic, sustainable and ethical. These fashion, food and design businesses create demand throughout the supply chain, completing the work that impact investors supporting sustainable fisheries and organic farming have made possible.

Media businesses producing video games, film, television, apps and other content harness the power of creativity and culture to educate our youth, help patients manage their chronic disease, teach tolerance and empathy, and catalyze positive action for the planet. These are high leverage opportunities that can have a big impact on attitudes, individual behavior and even government policy.

A Creativity Lens gives investors the chance to spot these opportunities, and to help shape a creative economy that is inclusive, equitable and sustainable.

Quality Jobs and the Creative Economy

There is a growing consensus that the 21st century will be the century of creativity.¹ Worldwide government officials, corporate executives, and policy experts are rallying around the potential for creativity to “generate financial returns with minimal production and distribution costs, help people escape poverty, and bolster cross-cultural exchange and understanding.”²

One question lurking beneath this enthusiasm is: What does the transition to a creative economy mean for workers?

Jobs in the creative economy go far beyond employing artists and designers. The foundation Nesta measured employment in the creative economy in the United States and found a total of 10.3 million jobs³ or nearly 10 percent⁴ of total U.S. employment to be in the creative economy. Over two-thirds of these jobs were non-creative support jobs across the employment spectrum, including management, manufacturing, service, and retail.

What is known about quality jobs?

Most research on job quality addresses 20th century jobs in manufacturing and services; very little addresses 21st century jobs. Given the rapid transition to automation in 20th century job sectors and anticipated growth in the creative economy globally,⁵ there is an urgent need to

¹ John Howkins, *The Creative Economy: How People Make Money from Ideas*, 2001; Peter Coy, “The Creative Economy,” *BusinessWeek*, August 28, 2000

<https://www.bloomberg.com/news/articles/2000-08-27/the-creative-economy>; Steve Denning, “Is The US In A Phase Change To The Creative Economy?,” *Forbes*, January 31, 2012,

<https://www.forbes.com/sites/stevedenning/2012/01/31/is-the-us-in-a-phase-change-to-the-creative-economy>.

² Stefan Hajkovicz, “Why is the Creative Economy growing so strongly?,” World Economic Forum, January 18, 2015, <https://www.weforum.org/agenda/2015/01/why-is-the-creative-economy-growing-so-strongly/>.

³ Max Nathan, Tom Kemeny, Andy Pratt, and Greg Spencer, *Creative Economy Employment in the US, Canada and The UK, A Comparative Analysis*, Nesta, March 2016, p6

http://www.nesta.org.uk/sites/default/files/creative_economy_employment_in_the_us_canada_and_uk.pdf.

⁴ Max Nathan, Tom Kemeny, Andy Pratt, and Greg Spencer, *Creative Economy Employment in the US, Canada and The UK, A Comparative Analysis*, Nesta, March 2016, p5

http://www.nesta.org.uk/sites/default/files/creative_economy_employment_in_the_us_canada_and_uk.pdf.

⁵ “The Creative Economy is now one of the most rapidly growing sectors of the world economy. It is also a highly transformative one in terms of income-generation, job creation and export earnings, as already clearly demonstrated in the 2008 and 2010 editions of the Creative Economy Report. Figures published by UNCTAD in May 2013 show that the Creative Economy has become an even stronger driver of development: World trade of creative goods and services totalled a record US\$ 624 billion in 2011, more than doubling between 2002 and 2011. The average annual growth rate of the sector during that period was 8.8 per cent, and the exports of creative goods was even stronger in developing countries, averaging 12.1 per cent annually over the same period.” United Nations Development Programme and the United Nations Educational, Scientific and Cultural Organization, *Creative Economy Report Special Edition*, 2013, p153, <http://www.unesco.org/culture/pdf/creative-economy-report-2013-en.pdf>; “International trade in creative industries showed sustained growth in the last decade....Exports from developing countries, led by Asian countries, were growing faster than exports from developed countries....Creative industries are vibrant sectors of the global economy. Increasing demographics, better access to ICTs and dynamic shifts to new lifestyles associated with creative products and services, makes

understand the impact of the creative economy on job quality.

Academics,⁶ advocates,⁷ investors,⁸ and grantmakers⁹ are increasingly focused on job quality, not just job growth. After the 2008 recession, the United States experienced a period of significant job growth.¹⁰ Much of that growth, however, was in service sector jobs that did not pay a living wage, provide benefits, or offer predictable schedules, respect, and security in the workplace.¹¹

A report from Pacific Community Ventures (PCV) found “employment numbers have recently bounced back to pre-recession levels, but the overwhelming majority of the jobs created have been in low-income, low-skilled sectors. The economy might be recovering, but the recent growth is small comfort to the millions of low- and moderate-income workers who were hit hardest by the financial crisis.”¹² PCV, among many other organizations,¹³ has turned its attention to measuring and promoting quality jobs as opposed to focusing on basic job growth.

Defining quality jobs

PCV’s report defines a “quality job” as having at least three of the following five elements:

trade in these sectors a promising avenue for future growth.” United Nations Conference on Trade and Development, “Creative Economy Outlook and Country Profiles: Trends in international trade in creative industries,” 2015, pviii, http://unctad.org/en/PublicationsLibrary/webditcted2016d5_en.pdf; “Creative and new media industries are growing in number and playing increasingly prominent economic and social roles,” National Governor’s Association, *Arts and The Economy: Using Arts and Culture to Stimulate State Economic Development*, January 14, 2009, p5

<https://www.nga.org/files/live/sites/NGA/files/pdf/0901ARTSANDECONOMY.PDF>; Felipe Buitrago Restrepo and Iván Duque Márquez, *The Orange Economy: An Infinite Opportunity*, 2013, https://publications.iadb.org/bitstream/handle/11319/3659/BID_The_Orange_Economy%20Final.pdf.

⁶ See e.g., Berkeley Labor Center (<http://laborcenter.berkeley.edu/>) and The Labor and Worklife Program at Harvard Law School (<http://www.law.harvard.edu/programs/lwp/>).

⁷ See e.g., Center for Law & Social Policy (<http://www.clasp.org/>) and National Employment Law Project (<http://www.nelp.org/>).

⁸ Quality Jobs Fund, “A \$100 Million Investment in Quality Job Creation,” <http://qualityjobsfund.org/a-100-million-investment-in-quality-job-creation/>.

⁹ See e.g., “Quality Work and Economic Security” at the Ford Foundation (<https://www.fordfoundation.org/work/challenging-inequality/inclusive-economies/>) and “Job Quality and Career Pathways” at the Surdna Foundation. (<http://www.surdna.org/what-we-fund/strong-local-economies/job-quality-and-career-pathways.html>)

¹⁰ Jeremy Ashkenas and Alicia Parlapiano, “How the Recession Reshaped the Economy, in 255 Charts,” *The New York Times*, June 6, 2014, <https://www.nytimes.com/interactive/2014/06/05/upshot/how-the-recession-reshaped-the-economy-in-255-charts.html>.

¹¹ Insight at Pacific Community Ventures, *Moving Beyond Job Creation: Defining and Measuring The Creation of Quality Jobs*, April 2016, https://www.pacificcommunityventures.org/wp-content/uploads/sites/6/2016/04/Quality-Jobs_Moving-Beyond-Job-Creation.pdf.

¹² Insight at Pacific Community Ventures, *Moving Beyond Job Creation: Defining and Measuring The Creation of Quality Jobs*, April 2016, p4 https://www.pacificcommunityventures.org/wp-content/uploads/sites/6/2016/04/Quality-Jobs_Moving-Beyond-Job-Creation.pdf.

¹³ For a list of Job Quality experts and organizations see Appendix [#].

1. A living wage,
2. Basic benefits,
3. Career-building opportunities,
4. Wealth-building opportunities, and
5. A fair and engaging workplace.¹⁴

PVC is not the only organization to define a quality job. Among others, the American Sustainable Business Council developed Principles of High Road Employers,¹⁵ which includes several labor-related policies; B-Lab includes Good For Workers Standards¹⁶ in its certification requirements.

Another leader in promoting quality jobs was the Hitachi Foundation, with its program *Good Companies @ Work*.¹⁷ The program researched, highlighted, and published case studies on “Pioneer Employers” - companies that had positive financial performance and provided quality jobs. The nearly 100 Pioneer Employers profiled are mostly in the manufacturing and healthcare industries, although four are in the culinary arts.¹⁸

The Hitachi Foundation’s report on Pioneer Employers concluded that “the success of these firms and their workers demonstrates that employers in the course of routine strategic development can help lower income employees attain a higher standard of living. They do so by strengthening the mechanisms within their control through targeted employment practices and policies, strategic deployment of human resources, revamped production and service models, and management follow-through.”¹⁹ (The Hitachi Foundation ceased operations in 2016 and divided the *Good Companies @ Work* program among the Aspen Institute, MIT Sloan School of Management, and Investors' Circle, where the work continues.)

Zeynep Ton’s book, *The Good Jobs Strategy*, examines the employment practices at four companies: Trader Joe’s, Costco, QuikTrip, and Mercadona. These four companies, operating in the highly competitive, low-margin retail space, manage to deliver good customer service and strong investor returns while also providing quality jobs. Ton argues that the happy customers

¹⁴ Insight at Pacific Community Ventures, *Moving Beyond Job Creation: Defining and Measuring The Creation of Quality Jobs*, April 2016, p4-5 https://www.pacificcommunityventures.org/wp-content/uploads/sites/6/2016/04/Quality-Jobs_Moving-Beyond-Job-Creation.pdf.

¹⁵ Principles of High Road Employers from The American Sustainable Business Council, <http://asbcouncil.org/action-center/campaigns/principles-high-road-employers#.WVPbrBPYuT8>

¹⁶ Good For Workers Standards from B-Lab, https://www.bcorporation.net/sites/default/files/documents/The-B-Corp_Handbook_Sample.pdf

¹⁷ The Hitachi Foundation, *Good Companies @ Work*, <http://www.hitachifoundation.org/our-work/good-companies-at-work/>.

¹⁸ The Hitachi Foundation, Find a Pioneer Employer, <http://www.hitachifoundation.org/our-work/good-companies-at-work/pioneer-employers/find-a-pioneer-employer>.

¹⁹ Jonathan Levine, Mark Popovich, and Tom Strong, *Doing Well by Doing Good: Pioneer Employers Discover Profits and Delivery Opportunity for Frontline Workers*, p4 http://www.hitachifoundation.org/storage/documents/DoingGood_web.pdf.

and good financial performances at these companies are because of, not in spite of, the companies's commitment to worker-friendly employment practices.

Defining quality jobs for the creative economy

While many experts and organizations are tackling the challenge of creating quality jobs in the 21st century, few of those active on the quality jobs issue take into account the growing creative economy and its likely impact on the job market. A premise of many discussions about quality jobs is that, in the past, the manufacturing economy offered respectable, fulfilling jobs that paid a living wage and, in the present, the service economy offers low-paying jobs that do not garner the same level of respect and fulfillment as the manufacturing jobs of yore. This premise naturally leads to two objectives: How do we boost manufacturing, and how do we turn service jobs into higher quality jobs?

Whether a fallacy exists in the underlying premise is a debate for another place and time.²⁰ We concur that these are important questions, but we also believe these questions ignore the fact that automation is eliminating whole segments of the workforce, the gig economy is growing, and creative work is an increasingly significant and automation resistant segment of the workforce. Little research addresses whether jobs at Creative Businesses are quality jobs and, if they are not, how to turn jobs at Creative Businesses into higher quality jobs.

Let's start with the definition of a quality job and whether it applies to the creative economy. When defining a quality job, several factors applicable to many workers in the creative economy are not addressed. Many creatives pursue individual artistic practices outside of the role where they earn a living. So having a flexible work schedule and independent work environment is critical. Similarly, having a job that allows a person to exercise his or her creativity may outweigh, in part, certain of the PCV factors. Some creatives find intangible benefits to exercising their creativity that are not captured in the PCV definition. Self-employment and freelancing are widespread in the creative economy.²¹ One result of this common employment arrangement is that creative workers value portable benefits over having a single-employer provided benefit plan.

Intangible benefits tied to exercising creativity, benefit portability, flexibility, and independence are not adequately reflected in the PCV and similar definitions. This is not a critique of the PCV definition, which is an excellent starting point for examining job quality. But for purposes of analyzing job quality in the creative economy, researchers and advocates should consider whether additional or alternative factors should be examined.

²⁰ Joseph R. Meisenheimer II, "The services industry in the 'good' versus 'bad' jobs debate," *Monthly Labor Review*, February 1998, <https://www.bls.gov/opub/mlr/1998/02/art3full.pdf>.

²¹ Ann Markusen and Anne Gadwa, *Creative Placemaking*, 2010, p11 (table: Self-Employment Rates, Artistic Occupations, US, 2000) <https://www.arts.gov/sites/default/files/CreativePlacemaking-Paper.pdf>.

What is known about creative jobs?

Most research about workers in the creative economy focuses on identifying occupations²² that require creativity and counting the quantity of jobs supported by the creative economy. We are not aware of any research that examines quality of jobs in the creative economy.

One key quality of many creative jobs is that they are resistant to automation. “Robots are to blame for up to 670,000 lost manufacturing jobs between 1990 and 2007 ... and that number will rise because industrial robots are expected to quadruple.”²³ Creativity is one work function few believe robots can mimic. The results of a 2015 report from Nesta “strongly confirm the intuition that creative occupations are more future-proof to computerisation. In the U.S., 86 percent of workers in the highly creative category are found to be at low or no risk of automation.”²⁴

Regardless of near-term quality indicators for employment in the creative economy, investing in the creative economy is likely a good long-term strategy for creating quality jobs simply because these jobs will endure the coming automation transformation in the economy overall.

How many jobs are there in the creative economy?

Studies measuring the number of people employed in the creative economy report widely varying figures based on their definition of creative economy. But by any measure, the number of people employed in the creative economy is significant and, given their resistance to automation and anticipated growth in the creative economy, the number of people employed in the creative economy is likely expanding not contracting.

According to Richard Florida, under his broad definition of the creative economy, which includes law, business, and health care, there are more than 40 million creative class workers, equal to roughly one-third of the U.S. workforce.²⁵

The National Endowment for the Arts’s *Creative Placemaking* report developed a different definition tied to industries that employ a high concentration of artists and identified a

²² The Occupational Information Network (O*Net) is a database developed and managed by the North Carolina Department of Commerce and sponsored by the U.S. Department of Labor/Employment and Training Administration. In the O*Net database every occupation is evaluated under a taxonomy of knowledge, skills, and abilities. One skill examined is creativity and, as a result, the database identifies hundreds of occupations as requiring creative skills, including designers, directors, composers, and engineers. The O*Net database is useful because it analyzes occupations independent of employment sector. O*Net search for creativity, <https://www.onetonline.org/find/result?s=creative&a=1>.

²³ Claire Cain Miller, “Evidence That Robots Are Winning the Race for American Jobs,” *The New York Times*, March 28, 2017, <https://mobile.nytimes.com/2017/03/28/upshot/evidence-that-robots-are-winning-the-race-for-american-jobs.html>.

²⁴ Hasan Bakhshi, Carl Benedikt Frey, and Michael Osborne, *Creativity vs. Robots: The Creative Economy and The Future of Employment*, April 2015, p6.

²⁵ Richard Florida, *The Rise of the Creative Class Revisited*, 2012, p8.

workforce of 27 million people.²⁶

Nesta, a UK-based foundation that does research on the creative economy, looked at creative jobs and non-creative jobs (or support jobs) in the creative economy and outside the creative economy in the United States, and found a total of 10.3 million jobs in the creative economy.²⁷

Under Americans For The Arts's narrow definition, examining only businesses, including nonprofits, involved in the production or distribution of the arts, there are 2.9 million people employed in the creative economy.²⁸

Are creative jobs by definition quality jobs?

If a business's product is creativity, then its most valuable asset is its employees and their individual and collective creativity. Logic suggests that to optimize the output of an employee whose contribution is his or her creativity, the employee needs to be compensated and cared for in a manner conducive to creative thinking, paid a living wage and treated with respect in a humane working environment. Having a productive creative workforce is a principal economic driver in the business model for all Creative Businesses. That fact would seem to incentivize providing quality jobs. Does the evidence support this conclusion?

The NEA's analysis of artist income (a very narrow category of creative worker) finds artist income is higher than the median annual national income in the United States.²⁹ Richard Florida's work comparing jobs between what he calls the Creativity, Working, and Service Sectors reaches a similar conclusion. As described already, his definitions do not mirror ours. He incorporates several types of jobs (e.g. management, medical, legal) that do not tie to arts and creativity as we've defined them.

Nevertheless, Florida's research on income itemizes findings by industry.³⁰ He found that the average annual income in 2010 for workers in the Working Class was \$36,991 and the Service Class was \$29,188 and the average annual income in Arts, Design, Entertainment, Sports, and Media occupations was \$52,440 and in Architecture and Engineering occupations it was \$75,550. The occupations in creative sectors are all higher than the Working and Service Class income levels. While this analysis is by no means conclusive, and it does not address varying

²⁶ Ann Markusen and Anne Gadwa, *Creative Placemaking*, 2010, p12 (table: Distribution of Artists in Selected Industries, United States, 2000) <https://www.arts.gov/sites/default/files/CreativePlacemaking-Paper.pdf>.

²⁷ Max Nathan, Tom Kemeny, Andy Pratt, and Greg Spencer, *Creative Economy Employment in the US, Canada and The UK, A Comparative Analysis*, Nesta, March 2016, http://www.nesta.org.uk/sites/default/files/creative_economy_employment_in_the_us_canada_and_uk.pdf.

²⁸ Americans for the Arts, *Business & Employment in the Arts: Measuring the Scope of the Nation's Arts-Related Industries*, January 1, 2015, <http://www.americansforthearts.org/by-program/reports-and-data/research-studies-publications/creative-industries>.

²⁹ National Endowment for the Arts, "Artists and Arts Workers in the United States: Findings from the American Community Survey (2005-2009) and the Quarterly Census of Employment and Wages (2010)," *NEA Research Note #105*, October 2011, p10, <https://www.arts.gov/sites/default/files/105.pdf>.

³⁰ Richard Florida, *The Rise of the Creative Class Revisited*, 2012, p42.

levels of education, it does suggest that for the income-prong in the definition of a quality job there is reason to be optimistic that creative jobs are quality jobs.

Are support jobs in the Creative Economy quality jobs?

Evidence from the quality jobs movement suggests that investing in workers and providing quality jobs, including for manual and service workers, improves financial results.³¹ The creative economy creates far more support jobs than creative jobs, by nearly three to one.³²

We believe there is a symbiosis between creativity and job quality, and that Creative Businesses will thrive by providing quality jobs for both creatives and support workers. Advocates, policymakers, and investors who care about quality jobs, should find a receptive audience among Creative Business entrepreneurs and owners able to understand the relationship between providing quality jobs and expecting quality output from workers.

Role models among creative businesses

Anecdotally, there are examples of Creative Businesses leading the way in providing quality jobs. Ten percent of B Corporations – for-profit companies certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency -- are Creative Businesses in the United States.

A handful of case studies from traditional job quality research highlight Creative Businesses: four of the Pioneer Employers profiled by the Hitachi Foundation were culinary arts businesses, Steven Dawson's research highlights Universal Woods³³ and Opportunity Threads,³⁴ and Creative Businesses, EILEEN FISHER, Patagonia, Etsy, and Ben & Jerry, adhere to the American Sustainable Business Council's Principles of High Road Employers.

³¹ Aaron Bernstein and Larry Beeferman, "The Materiality of Human Capital to Corporate Financial Performance," April 2015, <http://www.law.harvard.edu/programs/lwp/pensions/publications/FINAL%20Human%20Capital%20Materiality%20April%2023%202015.pdf>; Great Place To Work, *The Business Case for a High-Trust Culture*, 2016, <https://www.greatplacetowork.com/business-case>.

³² Max Nathan, Tom Kemeny, Andy Pratt, and Greg Spencer, *Creative Economy Employment in the US, Canada and The UK, A Comparative Analysis*, Nesta, March 2016, http://www.nesta.org.uk/sites/default/files/creative_economy_employment_in_the_us_canada_and_uk.pdf.

³³ Steven Dawson, "Universal Woods: The Business Logic of Trust," Employer Profiles of Job Quality from the National Fund for Workforce Solutions, May 2017, <https://nationalfund.org/learning-evaluation/publications/universal-woods-business-logic-of-trust/>.

³⁴ Steven Dawson, "Social Enterprise: Proceed with Caution," *The Pinkerton Papers*, February 2017, p5, <http://www.thepinkertonfoundation.org/wp-content/uploads/2017/02/Pinkerton-Papers-No4-Dawson-FINAL-WEB.pdf>.

The Role for Impact Investing

As the creative economy grows there's every reason to believe employment in the creative economy will grow too. Infusing the creative economy during this growth phase with values-driven capital that prioritizes good jobs over mere job growth will influence the creative economy's growth trajectory. That means there is an opportunity to influence the structure and nature of work in the creative economy for creative workers and support workers.

Impact capital can reward companies that treat workers well and can ensure the future creative economy is inclusive, equitable, and sustainable. Impact investors can influence the structure of the creative economy as it grows. Once the creative economy is large and entrenched, it will be more difficult to re-make the creative economy to deliver positive social impact, including quality jobs.

Freelance Work and Creativity

One area of job quality research that is tangential to the creative economy is research on freelance workers and the gig economy. The National Endowment for the Arts found that “Artists are more than three times as likely as the U.S. workforce to be self-employed (34 percent versus 10 percent).”¹

There are pros and cons to self-employment. According to the Freelancers Union’s annual report, “Freelancing in America,” freelancers “feel overwhelmingly positive about their work” and “they are more likely than non-freelancers to feel respected, engaged, empowered, and excited to start each day.”² But they face many challenges, including access to health care, being paid a fair rate, unpredictable income, and debt.³

Given the high propensity towards freelance work in the creative economy, any solution to improving job quality in the creative economy must address workers as both employees and self-employed operators. This likely means advocating for federal, state, and local shifts in policy, including, for example, health care portability, supplemental insurance, family and sick leave, and support for collecting unpaid invoices.

¹ National Endowment for the Arts, “Artists and Arts Workers in the United States: Findings from the American Community Survey (2005-2009) and the Quarterly Census of Employment and Wages (2010),” *NEA Research Note #105*, October 2011, p12, <https://www.arts.gov/sites/default/files/105.pdf>.

² Freelancers Union and Upwork, *Freelancing in America: 2016*, 2016, p3, <https://fu-prod-storage.s3.amazonaws.com/content/None/FreelancinginAmerica2016report.pdf>.

³ Freelancers Union and Upwork, *Freelancing in America: 2016*, 2016, p3, <https://fu-prod-storage.s3.amazonaws.com/content/None/FreelancinginAmerica2016report.pdf>; see also Nathan Heller, “Is The Gig Economy Working?,” *The New Yorker*, May 15, 2017, <http://www.newyorker.com/magazine/2017/05/15/is-the-gig-economy-working>; The Editorial Board, “The Gig Economy’s False Promise,” *The New York Times*, April 10, 2017, <https://mobile.nytimes.com/2017/04/10/opinion/the-gig-economys-false-promise.html>.

The Social Impact of Creative Businesses

In tandem with the development of impact investing, standards focused on workers, community, the environment and good governance have been developed for social purpose companies by B Lab, among others. Impact investors can align with these principals by following the Global Impact Investing Ratings Standards (GIIRS).

Like other social purpose businesses, Creative Businesses can follow these standards and contribute to an energetic local economy by providing goods and services, creating jobs, building community wealth, and helping establish a sense of community. We found that 10% of B Corporations in the U.S. are in the creative economy and, anecdotally, that many entrepreneurs in the creative economy gravitate towards a social purpose business as opposed to a conventional business.

But aside from being operated sustainably, Creative Businesses drive social impact across many thematic areas. Farm-to-table restaurants create a market for local, organic, sustainable farmers. Fashion designers build their brand connected to ethical and sustainable practices throughout their supply chain. Video game developers produce titles that help patients manage chronic disease, as well as teach players about issues like civics, peace-building, and empathy.

Here are some examples of businesses in creative industries grouped by social impact:

Environment

- The Perennial
- Zady
- Ziel

Education & Child Development

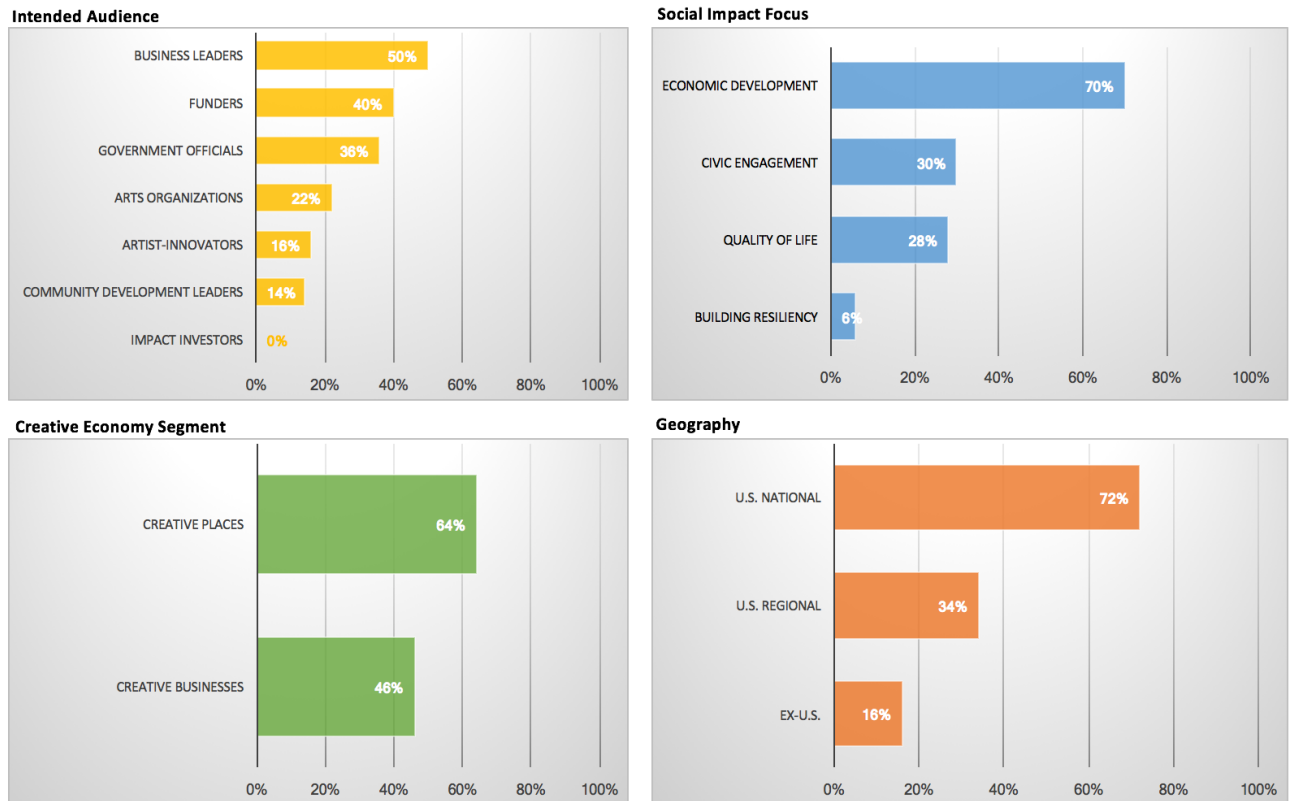
- E-Line Media
- March 4th, Inc.

Health

- ELIA
- Greenbelt Hospitality
- Sen Sound
- Urban Plough Furniture

Research Landscape on the Impact of Creativity and Culture

Our analysis of fifty organizations conducting original research into the social impact of the arts resulted in the following breakdown¹:



The research landscape revealed that the majority of practical research and data on the arts, culture, and creativity has been undertaken for an audience of government and philanthropic funders and, secondarily, business leaders who are likely to influence elected officials and sit on the boards of foundations.

Given this target audience, it is not surprising that this research has focused on Creative Places rather than Creative Businesses: government and philanthropy have driven the creative placemaking conversation within arts and community development over the past 10

¹ Percentages add up to more than 100% because some organizations were characterized by more than one of our stated foci. Percentages are based on a sample size of fifty.

years. Nor is it surprising that economic development has been the primary focus for this work from an impact perspective: lobbying elected officials to fund the National Endowment for the Arts, as well as state and local arts agencies has been the mission of many of the groups conducting this research.

Despite not being developed with impact investors in mind, the existing research on creativity and culture yields many relevant insights backed up by meaningful data regarding the social impact that investment in Creative Places and Creative Businesses can yield. There is a strong body of evidence that the arts, cultural institutions, and the creative economy are good investments from a social impact perspective, offering a good starting point for understanding the social impact that can be achieved by investing through a Creativity Lens.

Intended Audience

The majority of the research we reviewed is intended for philanthropic funders, government leaders, and business leaders. Here are some examples:

- Grantmakers in the Arts, a national network of public, private, and corporate arts funders, issues annual reports on trends in arts funding from government and philanthropy sources.
- Americans for the Arts is a national advocacy network of arts organizations that lobbies local and national government entities for favorable policies towards the arts. They have more than 50 years of national, state, and city level research connecting the arts with economic prosperity, and arguing that the arts serve as economic growth engines in communities attracting tourists, generating jobs, boosting tax rolls, and other positive local economic outcomes.
- The Center for Creative Community Development at Williams College is concerned with the economic impact of museums and other arts and cultural institutions.
- Etsy, the online marketplace for creative entrepreneurs, through its public policy arm undertakes research to inform governmental policy affecting independent creative entrepreneurs and small businesses.

Social Impact Focus

Our landscape revealed almost no research exploring community resiliency related to arts and culture. The majority of the research we reviewed covers issues pertaining to economic development, followed by civic engagement and quality of life studies.

- The Otis College of Art & Design “Otis Report on the Creative Economy 2017,” describes how the Creative Economy has served as an integral part of California’s powerful economic growth engine. Specifically, property taxes, state and local personal income taxes, and sales taxes directly and indirectly generated by creative industries totaled \$16.7 billion across the state over the 2010-2015 time period covered by the report.²
- The Creative Industries Network, based in Pittsburgh, conducts Regional Creative Industries Asset Mapping to illustrate how the city’s creative industries are coalescing into a large-scale innovation hub.
- Since 1994, the Social Impact of the Arts Project at the University of Pennsylvania School of Social Policy and Practice has focused on the social impact of cultural organizations in communities. Their findings demonstrate “significant” correlations between cultural institutions in low income communities, and outcomes such as reduced obesity, improved academic attainment rates, and improved community safety.
- Joshua Guetzkow of Princeton University’s Center for Arts and Cultural Policy Studies argues that the presence of artists, arts organizations, and institutions improves community image and status, promotes neighborhood cultural diversity, and reduces neighborhood crime and delinquency.³

Creative Economy Segment

The majority of research efforts we reviewed focused on Creative Places. Five organizations have focused on other topics related to creativity such as the cognitive process among teams, or the characteristics of highly creative people. The remainder focused on Creative Businesses.

² https://www.otis.edu/sites/default/files/2017-CA-Region-Creative-Economy-Report-WEB-FINAL_0.pdf

³ Joshua Guetzkow, How the Arts Impact Communities, <https://www.princeton.edu/~artspol/workpap/WP20%20-%20Guetzkow.pdf>.

- The National Endowment for the Arts, the original catalyst for the field of creative placemaking, has commissioned general research on creative placemaking, case studies and profiles of creative placemaking projects, and guidance on assessment and standards for creative placemaking.
- Incubators for Creative Businesses such as New Inc. in New York City and Creative Startups in New Mexico share the experience of the companies that they are supporting.

Geography

About half of the organizations we reviewed have a national focus; four work internationally. The rest have a regional focus such as Creative Many Michigan, Arts Midwest, and New England Foundation for the Arts.

Cognitive Diversity

A report by the consulting firm Deloitte defines diversity of thought or cognitive diversity in this way: “Each human being has a unique blend of identities, cultures, and experiences that inform how he or she thinks, interprets, negotiates, and accomplishes a task... the focus is on...acknowledging and appreciating the potential promise of each person’s unique perspective and different way of thinking.”¹

Diversity of thought is found to have three primary benefits:

1. **It helps guard against groupthink and expert overconfidence.** Diversity of thought can help organizations make better decisions and complete tasks more successfully because it triggers more careful and deeper information processing than typically occurs in homogeneous groups.
2. **It helps increase the scale of new insights.** Generating a great idea quickly often requires connecting multiple tasks and ideas together in a new way. Technological advances are enabling approaches such as crowdsourcing and gamification to bring the diversity of human thinking to bear on challenging problems.
3. **It helps organizations identify the employees who can best tackle their most pressing problems.** Advances in neuroscience mean that matching people to specific jobs based on more rigorous cognitive analysis is within reach. Organizations that can operationalize faster ideation can begin to purposely align individuals to certain teams and jobs simply because of the way they think.

These findings were supported by a recent study published in the Harvard Business Review in which teams were formed based on thinking styles and then given a series of challenges.² An assessment of their speed and accuracy revealed that the teams with the greatest amount of cognitive diversity performed far better than those with less diversity.

¹ Anesa "Nes" Diaz-Uda, Carmen Medina, and Beth Schill. “Diversity's new frontier: Diversity of thought and the future of the workforce.” Deloitte University Press. Accessed June 13, 2017. <https://dupress.deloitte.com/dup-us-en/topics/talent/diversitys-new-frontier.html>

² Alison Reynolds and David Lewis. “Teams Solve Problems Faster When They’re More Cognitively Diverse.” *Harvard Business Review*. Accessed June 13, 2017. <https://hbr.org/2017/03/teams-solve-problems-faster-when-theyre-more-cognitively-diverse>

It's Doable

Upstart Co-Lab's April 2017 report, *Creative Places & Businesses: Catalyzing Growth in Communities*, identified 26 creative projects with aggregate demand for capital of \$1.54 billion over the next five years. We believe this pipeline is representative of the robust demand for impact investment capital in the creative economy, but far from a complete assessment of the potential opportunity.¹

Upstart is currently surveying leaders in community development, impact investing, venture capital and private equity, plus segments of the creative economy like fashion, food and media to monitor the status of conventional and impact investment products and funds, as well as direct investment opportunities in Creative Places and Creative Businesses. What we find suggests impact investing through a Creativity Lens is becoming possible.

Creative Places

Impact investors - particularly individuals and foundations pursuing mission-related investing - are very place-focused. An emphasis on Creative Places allows these investors to target specific geographies and communities while applying a Creativity Lens. Investments in Creative Places are typically structured as debt and secured by the real estate itself. If investors are investing directly, the security of the real estate reduces their risk.

If investing through a Community Development Finance Institution (CDFI), typically investors are secured by the entire balance sheet of the CDFI regardless of whether the investors' capital is earmarked to Creative Places. The total exposure of a CDFI is generally diversified across many projects, many project types (i.e. housing, retail, institutional), across multiple neighborhoods and originated over years. This, plus conservative underwriting standards and financial coverage structured into the portfolio, is why CDFIs have nearly a 100% repayment rate to their investors.

Upstart Co-Lab is in discussion with Enterprise Community Partners and the Local Initiative Support Corporation (LISC) exploring how their experience investing in Creative Places as part

¹ Upstart Co-Lab and Calvert Foundation, *Creative Places & Businesses: Catalyzing Growth in Communities*, 2017, p7.

of comprehensive community development can inform dedicated investment products and funds connecting impact investors to Creative Places.

We are beginning to see commercial real estate developers incorporating creativity and culture into large-scale mixed-use, mixed-income projects, adding value to their projects and the surrounding communities in tandem. These projects offer impact investors a higher financial return than that available through CDFIs, while still delivering a social return. Examples include Shift Capital in Philadelphia, Continuum Partners in Denver, Cloud Hill Partnership in Nashville, and Brinshore Development in Chicago.

Creative Businesses

Creative Businesses offer impact investors debt, convertible debt as well as equity investment opportunities. Upstart Co-Lab observes a diverse pipeline of Creative Business investment opportunities spanning industry, geography, stage and social impact themes. Investors making direct investments can achieve portfolio diversification from both a financial and social impact perspective. Increasingly, there are funds focused on segments of the creative economy like ethical fashion, sustainable food, and social impact media that offer not only portfolio diversification, but due diligence and ongoing professional management as well.

For example, CDFI RSF Social Finance offers its investors an opportunity to focus on sustainable food. TAU Investment Management is a private equity firm addressing social and environmental responsibility in the garment industry. The Media Development Investment Fund helps independent news businesses become financially sustainable, strong enough to hold governments to account, expose corruption and provide a platform for debate.

Impact investors can now make direct investments with the help of the ImpactUs Marketplace, a platform that connects investors, advisors and mission-driven institutions, providing the infrastructure, connectivity and cost-efficiencies that will allow all stakeholders to share in the promise of impact investing. ImpactUs is currently in due diligence with several investment opportunities in the creative economy.

Angel networks and impact investor affinity groups are also connecting their members to the creative economy. For example, Investors' Circle, the largest early-stage impact investing network, showcases many companies in creative industries categorized as Community &

Economic Development and Impact Software & Media. The Nexus Ethical Fashion Lab educates the next generation of impact investors about opportunities in clothing and accessories that are organic, vegan, uses eco-friendly practices or materials, is made locally, empowers women and artisans, protects cultures and indigenous people and upholds the principles of Free Trade.

Entrepreneurs in creative industries are gravitating to social purpose business models, suggesting the impact investing opportunities in the Creative Economy are only going to grow. Creative people increasingly have opportunities to develop their businesses through incubators like Creative Startups and New Inc. which support new businesses in art, design and media. Business plan competitions at art schools such as Oberlin College, the Julliard School, the Maryland Institute College of Art, as well as Harvard University (the Dean's Challenge for Cultural Entrepreneurship) and Massachusetts Institute of Technology (SOLVE) demonstrate that educational institutions believe creative people have a future beyond the studio, the theater and the concert hall. Although these efforts are nascent, they reflect a trend of targeted support and dedicated networks helping creative people starting businesses that address social priorities.

Please contact Laura Callanan, Founding Partner, Upstart Co-Lab for more information about opportunities to invest for impact through a Creativity Lens at LauraCallanan@UpstartCo-Lab.org.

Real Estate Developer Profiles

Large commercial real estate developers are incorporating creativity and culture into large-scale mixed-use, mixed-income projects, adding value to their projects and the surrounding communities.

- Brinshore Development
- Cloud Hill Partnership
- Continuum Partners
- Shift Capital

Brinshore Development

Rich Sciortino of Brinshore Development has been partnering with artist Theaster Gates in Chicago and other Midwestern cities for more than five years. Projects include the conversion of a former 36-unit Chicago Housing Authority project into a 32-unit mixed income development and arts center programmed and managed by Gates' Rebuild Foundation. The Dorchester Art + Housing Collaborative offers sustainably-developed live/work space for artist residents, plus youth programming and public space.¹

¹ <http://dorchesterarthousing.com/>

Cloud Hill Partnership

Tom Middleton of Cloud Hill Partnership, in collaboration with country music legend T Bone Burnett, is aiming for social impact with commercial returns on a \$200 million project in Nashville. They are undertaking the redevelopment of the former Greer Stadium site on a concept built around the common theme of music, which celebrates the development's historical context, infusing the project with energy and diversity. The development will provide affordable and market rate opportunities for tenants and will be completely self-sustaining, with government and philanthropy subsidies helpful but not critical to the project's success. In addition to mixed income apartments, the development features neighborhood retail with local and regional goods, an art and music generator, community and culture shed, maker and creative office.¹

¹ Tom Middleton, Deutsche Bank presentation, June 5 2017

Shift Capital

Shift Capital, based in Philadelphia, PA, is a real estate impact group dedicated to revitalizing urban neighborhoods. Shift Capital deploys an inclusive and concentrated development model which seeks to minimize the negative impacts of gentrification, such as displacement, while positively impacting communities suffering from inter-generational poverty. The company's mission is to provide the urban communities they invest in with employment and other measurable social and economic impacts by acquiring and improving the existing real estate stock and re-tenanting those assets with businesses and individuals that share their common vision. They work to minimize the displacement of communities, long-term residents and the creative community, through strategic exit strategies to increase property ownership and preserve long-term affordability.

One of their projects, MaKen Studios in Kensington, will provide rentable space and resources to interdisciplinary artists, businesses, and manufacturers in Philadelphia. It involves the revival of two industrial buildings, which will help contribute to the area as a destination for cultural and economic opportunity.¹

¹ www.shiftcapital.us/about

Creative Economy Investment Funds, Accelerators and Platforms

- Fashion Capital Partners
<http://fashioncapitalpartners.com>
- Aperture Media Partners
<https://www.aperturemediapartners.com>
- Accel Foods Fund
<http://www.accelfoods.com>
- TAU Investment Management
http://tau-investment.com/en_US/
- Media Development Investment Fund
<https://www.mdif.org>
- ImpactUs Marketplace
<https://www.impactusmarketplace.com>
- Investors' Circle
<http://www.investorscircle.net>
- Nexus Ethical Fashion Lab
<https://www.nexusglobal.org/labs/ethical-fashion/>
- Creative Startups
<http://www.creativestartups.org>
- New Inc.
<http://www.newinc.org>

The Time is Now

Now is the time to connect impact investing and the creative economy:

- Mayors and governors are commissioning plans to understand the potential for the creative sector to chart a promising economic future for their cities and states.
- When surveyed about what's most important to the future of their business, CEOs consistently put creativity in their workforce at the top of the list.¹
- Individuals are backing creative projects through crowdfunding in small amounts that add up to billions of dollars; for example, over 12.3 million backers have pledged more than \$2.8 billion to creative projects through Kickstarter since 2009.²
- Individuals and foundations that value art, storytelling, and innovation are asking wealth advisors for opportunities to align their portfolios with the power of creativity.
- Philanthropic support for creative placemaking is paying off as arts and design organizations build the expertise, capacity, and infrastructure necessary to scale their social impact in communities, increasingly developing new operating models designed to be replicated.
- Conventional investors are focusing on creative industries like fashion (Fashion Capital Partners), television and film (Aperture Media Partners) and culinary arts (Accel Foods Fund). These are not impact funds, demonstrating that the creative economy can yield attractive financial returns.
- 10% of B Corporations in the United States are in the creative industries, setting the example for generating social impact and financial returns in the creative economy.³

At the same time, socially responsible investing has reached \$8.7 trillion in the U.S., and impact investing continues to grow.⁴ The Council on Foundations and Commonfund's *Study of*

¹ The Conference Board, *Ready to Innovate*, 2008.

http://www.americansforthearts.org/sites/default/files/ReadyToInnovate_KeyFindings_0.pdf.

² Kickstarter, <https://www.kickstarter.com/about>.

³ Upstart Co-Lab and Emergence Creative, *Creative Places and Businesses: Catalyzing Growth in Communities*, 2017 <http://www.upstartco-lab.org/wp-content/uploads/2017/03/170320-CPB-Final-Report.pdf>.

⁴ US SIF Foundation, *Report on Sustainable and Responsible Investing Trends in the United States*, 2016 <http://www.ussif.org/sribasics>.

Responsible Investing found that of 186 philanthropies surveyed representing \$40 billion in endowment assets, nearly a quarter of them have implemented mission-related investments.⁵ The *2016 U.S. Trust Insights on Wealth & Worth* survey of 684 high net worth individuals revealed a 40% or greater increase in impact asset holdings among women, millennials, Gen Xers, and ultra-high net worth individuals from 2014 to 2016.⁶

These two factors – the agreement on the importance of creativity and the growth of impact investing -- together mean the moment is ripe to focus impact investing on the creative economy through a Creativity Lens. While the best reason for impact investors to adopt a Creativity Lens is to achieve their goals of doing well and doing good in their portfolios, at the current moment, an alternative to federal government funding for the creativity and culture will be a strong additional benefit.

⁵ Council on Foundations and Commonfund, *Study of Responsible Investing*, 2016, p4, <https://www.commonfund.org/wp-content/uploads/News-and-Research/02-Whitepapers-PremiumContent/CCSF-Responsible-Investing-Survey/2016-06-CF-Study-of-Responsible-Investing.pdf>.

⁶ US Trust, *2016 U.S. Trust Insights on Wealth & Worth*, 2016 <http://www.ustrust.com/ust/pages/insights-on-wealth-and-worth-impact-investing-2016.aspx>.

Methodology

With a small team over a six-week period, Upstart Co-Lab undertook a research sprint to inform our discussion with impact investors about opportunities to drive financial and social value through a Creativity Lens.

The team interviewed experts, practitioners and investing principals on Gender Lens investing, impact investing, community development and quality jobs, as well as founders of social purpose Creative Businesses and managers of Creative Place real estate projects. Problem-solving sessions with colleagues from impact investing, community development, creative industries, and related fields provided early feedback on our approach and working hypothesis. Please see Acknowledgements for more information.

A major theme in our discussions about the creativity lens was defining creativity. In this area, Christine Harris and Dennis Cheek, co-authors of the National Endowment for the Arts' "America's Creative Economy"¹ report, were a helpful resource. Dennis Cheek brought our attention to vertical and horizontal approaches to defining the creative economy – the vertical approach uses an industry-based definition whereas the horizontal approach uses a cross-cutting, sector-agnostic definition and focuses more on the methodology, mindset, and approach of a worker. Christine Harris got us thinking about support jobs in the creative economy and pointed us towards resources for further research.

The quality jobs experts we spoke with included Steven Dawson from the Pinkerton Foundation and Renata Hron Gomez from Investor's Circle. They helped us determine which communities we should focus on when looking into quality jobs, and pointed out different starting points for defining quality jobs. In addition to providing useful information, they helped connect us with other experts.

Landscape Analysis

Upstart Co-Lab completed a comprehensive literature review, and landscaped 50 existing data and research efforts on cultural institutions, creative placemaking, artists, and the creative economy. This research landscape included university research centers, creative business accelerators, arts and business advocacy groups, consulting firms with a dedicated focus on arts and creativity, and nonprofits working in the creative economy.

¹ Harris, Christine, and Collins, Margaret, and Cheek, Dennis. "America's Creative Economy: A Study of Recent Conceptions, Definitions, and Approaches to Measurement Across the USA." *National Endowment for the Arts*. August, 2013. <https://www.arts.gov/sites/default/files/Research-Art-Works-Milwaukee.pdf>

The 50 sources included in this research landscape:

- Americans for the Arts
- Arizona State University: Herberger Institute for Design and the Arts
- ArtPlace
- Arts Midwest
- Aspen Institute
- BFAMFAPhD
- Center for Creative Community Development
- Center for Creative Economy
- Center for Cultural Innovation
- Createquity
- Creative England
- Creative Many
- Creative Startups
- Cultural Research Network
- Cuyahoga Arts and Culture
- DataArts
- Etsy
- Federal Reserve Bank of Boston
- Federal Reserve Bank of San Francisco
- Foundation Center - Sustain Arts
- Grantmakers in the Arts
- Hacking Creativity at Red Bull
- Hawaii's Creative Economy: The Creative Industries Division (CID)
- Institute for Creative Entrepreneurship | Berklee College of Music
- Institute for the Future
- Leveraging Investments in Creativity (LINC)
- Maryland Institute College of Art (MICA)
- Metris Arts Consulting
- National Archive of Data on Arts & Culture (NADAC)
- National Assembly of State Arts Agencies (NASAA)
- National Creativity Network
- National Endowment for the Arts
- National Governors Association
- Nesta
- New England Foundation for the Arts
- NEW INC
- North Carolina Arts Council
- Otis College of Art and Design
- Social Impact of the Arts Project (SIAP)
- Strategic National Arts Alumni Project (SNAAP)
- The Brookings Institution
- The Creative Industries Network
- The Kresge Foundation
- The National Center for Arts Research at Southern Methodist University
- United Nations Educational, Scientific and Cultural Organization (UNESCO)
- University of Georgia
- Urban Institute
- Urban Manufacturing Alliance
- Western States Arts Federation (WESTAF)
- WolfBrown

Although thinking about impact investing in the context of the creative economy is a new idea, research over the past 20 years has explored the economic, civic, social, and community benefits of a vibrant arts & cultural sector. Any conversation about how to define and measure the impact of investing in the creative economy will build off this robust foundation.

We assessed these data and research efforts according to their focus on Creative Places and Creative Businesses; the type of social impact that was studied; intended audience; and geographic focus.

Intended Audience - Past research has been intended to inform specific groups of stakeholders, guiding policy and funding decisions, outlining business and economic opportunities, and documenting the value of arts and creativity. The primary audiences for this research has been: Artist-Innovators², Arts Organizations, Business Leaders, Community Development Leaders, Funders, and Government Officials.

Social Impact Focus – The social impact categories we examined were: Economic Development, Civic Engagement, Quality of Life and Building Resiliency.³

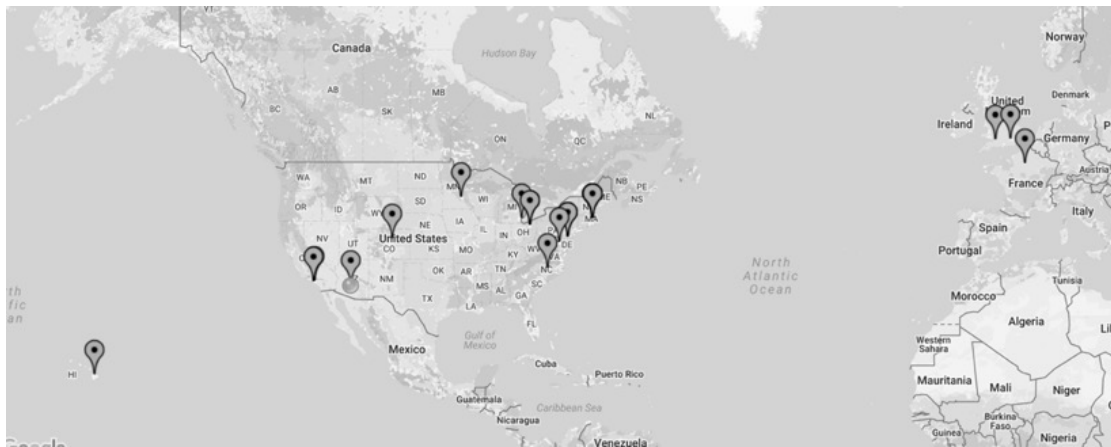
| Social Impact Category | Definition | Potential Metrics |
|-----------------------------|--|---|
| Economic Development | Supports economic diversity; creates more opportunity for all; economic opportunity that is compatible with local culture and heritage | GDP, job creation, tourism, tax roll |
| Civic Engagement | Intentionally engages the community; gives voice to local priorities and concerns; enables community action | Community participation, volunteering, voting |
| Quality of Life | Creates a more vibrant, livable, healthy, safe, productive and aesthetically attractive place | Educational attainment, health outputs, public safety |
| Building Resiliency | Increases a community's ability to respond to abrupt shocks and systemic shifts | Job diversity, income disparity, time unemployed/between jobs, and other measures related to Innovation, adaptation, inclusion, social stability, collective identity |

² Upstart Co-Lab coined the term Artist Innovator to describe artists who work outside the studio, the theater, and the concert hall and bring their distinctive talents and skills into business, government, and the social sector. Artist Innovators are starting social purpose businesses, developing new software, initiating unique public-private partnerships, and anchoring real estate developments in creativity and culture. Not every artist is—or wants to be—an Artist Innovator. But creative people gravitate towards solving problems, and increasingly those problems stretch beyond the arts.

³ We based our definitions on *Creative Placemaking in Community Planning and Development*, Volume 10 Issue 2 of the Federal Reserve Bank of San Francisco's *Community Development Investment Review*. <http://www.frbsf.org/community-development/files/creative-placemaking-in-community-planning-and-development-an-introduction-to-artplace-america.pdf>

Creative Economy Segment - As we are primarily concerned with Creative Places and Creative Businesses - which we define here⁴ - we sought to determine what share of the existing research addresses each segment.

Geography - Most of the organizations we looked at focused in the U.S., concentrating on a city, state or region. We also included two groups with a U.K. focus, and the United Nations Educational, Scientific and Cultural Organization (UNESCO) which works globally.



⁴ Hyperlinked in online version

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ADVISORS

Laura Callanan - Founding Partner, Upstart Co-Lab
 Cathy Clark - Faculty Director, CASE and CASE i3 Initiative on Impact Investing, Duke University
 Jed Emerson - Founder, Blended Value Group
 Jonathan Law - Partner, McKinsey & Company
 Will Rosenzweig - Social Impact Fellow, Professional Faculty, UC Berkeley
 Surita Sandosham – Vice President-Programs, Synergos Institute
 Andrew Stern - Founder and Executive Director, Global Development Incubator
 Dennis Whittle – Director and co-founder, Feedback Labs

WORKING GROUP

Lindsay Barenz
 Sarah Freeman
 Leah Sarbib
 Ward Wolff

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 Michael Angst, E-Line Media
 Hugo Barreca, Pioneer Works
 Maxine Bedat, Zady
 Liz Ben-Ishai, CLASP
 Preeti Bhattacharji, F.B. Heron Foundation
 Suzanne Biegel, Catalyst at Large
 Daniel Brett, Pacific Community Ventures
 Jeni Britton Bauer, Jeni's Splendid Ice Creams
 Joan Broughton, Craft3
 Guy Buckles, ArtBuilt Brooklyn
 Luisamaria Ruiz Carlile, Veris Wealth Partners
 Dennis Cheek, National Creativity Network
 Andrew Chepaitis, ELIA Life Technology
 Beth Davenport, Stockade Works
 Steven L. Dawson, Consultant
 Rana DiOrio, March 4th, Inc.
 Katie Dixon, Powerhouse Workshop
 Barbara Dyer, Massachusetts Institute of Technology
 Cathy Edwards, New England Foundation for the Arts

Carlos Eyzaguirre, F.B. Heron Foundation
Sam Farrazaino, Equinox Studios LLC
Mark Falcone, Continuum Partners
Anders Ferguson, ArtBuilt Brooklyn
Justin Fier, Pacific Community Ventures
Renata Hron Gomez, Investor's Circle
Christine Harris, Christine Harris Connections
Deirdre Hess, F.B. Heron Foundation
Terri Ludwig, Enterprise Community Partners
Graham Macmillan, Ford Foundation
Brendan Maher, F.B. Heron Foundation
Sam Marks, LISC
Mary Stuart Masterson, Stockade Studios
Reed Mayfield, RSF Social Finance
Ilyssa Meyer, Etsy
Jack Meyercord, Bienville Capital Management
Tom Middleton, Cloud Hill Partnership
Clara Miller, F.B. Heron Foundation
Matthew Moore, Greenbelt Hospitality and Urban Plough Furniture
Margaret Morton, Ford Foundation
Brian Murray, Shift Capital
Amy Orr, F.B. Heron Foundation
Mark Popovich, Aspen Institute
Ceyl Prinster, Colorado Enterprise Fund
Esther Robinson, ArtBuilt
Wendy Rowden, 42nd Street Development Corporation
Anjali Sakaria, Federal Reserve Bank of Boston
Marcia Santoni, Pioneer Works
Robin Schabes, IFF
Dee Schneidman, New England Foundation for the Arts
Richard Sciortino, Brinshore Development
Yoko Sen, Sen Sound
Liz Sessler, ImpactUs
Julia Shin, Enterprise Community Partners
Anisha Steephen, LISC
Eric Stephenson, Cordes Foundation
Katie Swenson, Enterprise Community Partners
Steven Tepper, Herberger Institute for Design and Arts at Arizona State University
Brian Trelstad, Bridges Fund Management
Jackie Vanderbrug, U.S. Trust
Marleen Vogelaar, Ziel
Brian Walsh, Liquidnet
Daniel Wallace, Coastal Enterprises, Inc.
Lee Wellington, Urban Manufacturing Alliance
San San Wong, Barr Foundation
Nella Young, Enterprise Community Partners