



Community Asset Transition (CAT) Fund

LISC Twin Cities is working to establish a \$25+ million flexible, affordable pool of capital to enable the acquisition of commercial and residential properties in or near the cultural districts that were impacted by the civil uprising following the murder of George Floyd and the economic fallout of the COVID-19 pandemic. The CAT Fund will combine LISC debt capital with credit enhancement from public and private mission investors to help secure key properties and allow time to cultivate a vision for transformation and ownership that reflect the goals of the community. The CAT Fund will also provide technical, predevelopment, and capacity supports to prospective developers and long-term owners to help them prepare for development and sustainable property ownership.

The goals of these investments are to:

- Produce healing, ownership, and generational wealth for those who identify as Black, Indigenous, and People of Color (BIPOC).
- Support the economic recovery and resiliency of businesses in the districts;
- Promote anti-displacement of businesses and residents in the districts;
- Create opportunities for community/ cooperative ownership and alternative investment vehicles;
- Engage artists, creatives, and arts-based organizations as partners in the visioning and transformational rebuild;
- Support the creation and preservation of affordable housing and commercial space in and around the districts;
- Create job opportunities for minority contractors through participation in project construction/ rehabilitation.

PROPOSED LOAN TERMS

- Loan Amount: \$250,000 - \$5,000,000
- Use of Loan Proceeds: acquisition, construction/ rehabilitation costs, demolition and soft costs.
- Interest Rate: 2.5%-3.5%.
- Term: up to 5 years
- Repayment: monthly interest-only payments from cash flow, interest reserve or borrower. Principal repayment expected to come from the sale of the property within 2-5 years to a long-term community-based owner. High priority for BIPOC-led ownership.
- Limited Recourse to the borrower
- Collateral: 1st or 2nd lien up to 125% LTV based on an appraisal or broker's opinion of value.

PROJECT ELIGIBILITY / GUIDELINES

- Commercial, mixed-use or residential properties located in or near LISC Twin Cities' Creative Placemaking cultural districts that have suffered physical and/or economic damage from the civil uprising following the murder of George Floyd. A property must be identified as a priority for preservation or redevelopment by LISC Twin Cities community-based Acquisition/ Development or Creative Placemaking partner(s) (see "Key Partners" section below).
- High priority areas: 38th Street/ George Floyd Memorial District, Lake Street/ Chicago, Lake Street/ Minnehaha, West Broadway, Hamline-Midway/ Little Africa, Frogtown/ Rondo & Little Mekong cultural districts.
- A borrower must be identified as an Acquisition/Development Partner, defined as a community-based nonprofit organization that has experience owning and operating commercial real estate (see "Acquisition/Development Partners" listed below).
- Affordability requirements for residential properties: rents for 75% of units must be affordable at or below 80% of AMI, including 20% at 60% AMI. The remaining 25% of units may have higher rents. Rent increases for existing tenants are limited to 6% per year for two years after acquisition.
- For operating properties, the property must generate positive cashflow with a 1.25 debt coverage ratio (DCR). (Additional credit enhancement may allow a lower DCR.)
- For redevelopment or non-operating properties, there must be a feasible (re)development plan that includes sources and uses. Preference for projects with an identified end-buyer and/ or tenants for at least 50% of the commercial space.

KEY PARTNERS

- Acquisition/Development Partners: Land Bank Twin Cities, Seward Redesign, Neighborhood Development Center (NDC), Latino Economic Development Center (LEDC), City of Lakes Commercial Land Trust Initiative, Justice Built Communities (an entity of Pillsbury United Communities), Model Cities, and other CDCs.
- LISC Creative Placemaking grantees: Minneapolis: Lake Street Council, Cultural Wellness Center, West Broadway Business & Area Coalition (WBC), and Native American Community Development Institute (NACDI); St. Paul: African Economic Development Solutions (AEDS), Aurora St. Anthony Neighborhood Development Center (ASANDC), Asian Economic Development Association (AEDA), and Indigenous Roots.
- Financing Partners: Hennepin County, McKnight Foundation, Bush Foundation, JP Morgan Chase, Minneapolis Foundation, and other PRI and mission investors. Aligned investors include Sunrise Banks (small NMTC loan pool) and the City of Minneapolis Commercial Property Development Fund.

CONTACT INFORMATION

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