LISC TWIN CITIES

Community Asset Transition (CAT) Fund

LISC-Twin Cities is working to establish a $50+ million flexible, affordable pool of capital to support the physical and economic recovery of properties located in and around the cultural districts that were impacted by the civil unrest following the murder of George Floyd by Minneapolis Police in 2020 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 and redevelop key properties in Minneapolis and St. Paul.

LISC-Twin Cities will also provide grant support for technical assistance, predevelopment, and capacity building to CAT Fund partners to help cultivate a vision for transformation and ownership that reflects the goals of the community and create a system that supports sustainable property ownership.

The goals of these investments are to:

- Produce healing, ownership, and generational wealth for those who identify as Black, Indigenous, or People of Color (BIPOC).
- Support the economic recovery and resiliency of businesses in the districts;
- Support the reactivation and redevelopment of damaged, vacant or blighted property 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, cultural and arts organizations as partners in the visioning and transformational rebuild;
- Support the creation and preservation of affordable housing, commercial and cultural space in and around the districts; and
- Create job opportunities for minority contractors through participation in project construction/ rehabilitation.

INVESTMENT FUND STRUCTURE

CAT FUND 1.0 – Interim Acquisition

- $30 million
  - $6,500,000 public and private grants and mission investments
    - 0% interest
    - Up to 10-year term

        - Non-recourse

    - $7,500,000 mission and impact investments (debt and equity)
        - 1-2% interest
        - 10-year term
        - Limited recourse

    - $16,000,000 3rd loss LISC loan capital
        - 5.4% interest
        - 10-year term
        - Recourse

CAT FUND 2.0 – Subordinate Debt/ Gap Financing

- $50+ million
    - $10,000,000 public and private grants and mission investments
        - 0% interest
        - 10- to 15-year term
        - Non-recourse
    - $20,000,000 mission and impact investments (debt and equity)
        - 1% to 2% interest
        - 10- to 15-year term
        - Non-recourse or Limited recourse
    - $20,000,000 LISC loan capital
        - 5.4% interest
        - 10- to 15-year term
        - Recourse

Grants and credit enhancements are essential to bringing resources to the table. With additional credit, the Fund can achieve a greater impact for the community.

BASIC PRODUCT TERMS

CAT FUND 1.0 – Interim Acquisition

Loan Amount: $250,000 - $5,000,000

Use of Loan Proceeds: acquisition, interim construction/ rehabilitation costs, demolition, predevelopment, soft costs, and interim holding 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.

Limited or Full Recourse to the borrower.
Collateral: 1st or 2nd lien up to 125% LTV based on an appraisal or broker's opinion of value.

CAT FUND 2.0 – Subordinate Debt/ Gap Financing

Loan Amount: $100,000 - $5,000,000

Use of Loan Proceeds: acquisition, predevelopment, construction, mini-permanent/ permanent financing.

Interest Rate: competitive interest rate, determined by level of affordability, loan term, etc. Targeting range of 3%-4.5%.

Term, Repayment:

- Acquisition/ Predevelopment/ Construction Loans: up to 3 years, interest-only payments.
- Mini-Perm Term: up to 10 years, partially or fully amortizing payments.
- Permanent Term: up to 15 years, partially or fully amortizing payments.
- Full Recourse to the Borrower. Limited recourse may be considered if loan is real estate secured and fully amortizing. Guarantees may be required.

Collateral:

- Real Estate Loans: 1st or 2nd lien up to 125% LTV based on an appraisal.
- Predevelopment Loans: up to $250,000 unsecured.

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 Interim Acquisition or Creative Placemaking partner(s) (see "Key Partners" section below).
- Priority areas: 38th Street (George Floyd Memorial District); Lake Street Midtown-Greenway (Nicollet to Minnehaha); West Broadway; East Franklin Ave.; Hamline-Midway (Little Africa); Frogtown-Rondo; Little Mekong; and East 7th cultural districts. Other impacted areas and city-defined cultural districts may also be considered.
- 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 service coverage ratio (DSCR). Additional credit enhancement may allow a lower DSCR.
- 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.
- High priority for BIPOC-led ownership.

KEY PARTNERS

- CAT FUND 1.0 Interim Acquisition 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-Twin Cities Developer of Color (DOC) 2021-22 Capacity Building Program Partners.
- CAT FUND 2.0 Partners: Nonprofit Developers and Mission-aligned For-Profit Developers with an emphasis on Emerging Developers of Color.
- LISC Creative Placemaking Partners: 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:
    - CAT FUND 1.0: Hennepin County, McKnight Foundation, Bush Foundation, JP Morgan Chase, Minneapolis Foundation, and City of St. Paul.
    - CAT FUND 2.0: Allina Health, other PRI and mission investors (tbd).
    - Aligned investors: Sunrise Banks (small NMTC loan pool), LISC/ New Market Support Corporation (NMSC), City of Minneapolis Commercial Property Development Fund (CPDF), Hennepin County Community Investment Initiative (CII), DEED Main Street Economic Revitalization Program.

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