

Part 1:

Potential Models for the Emerging South St. Petersburg Development Fund

Sankofa Vision as a Catalyst Element of Deuces Rising

City of Detroit & Invest Detroit Partner to Create Strategic Fund

In Detroit, equitable development planning arose from efforts by philanthropists, government, and others to revive a city in the midst of economic and demographic crises. In response, **Mayor Mike Duggan and the Housing and Planning and Development Departments** joined forces with the Invest Detroit Foundation to create the *Strategic Neighborhood Fund (SNF)*, which **enlisted public and private help** to revitalize 8-to-15-block micro districts in three neighborhoods, supporting gap-financing for development projects.

The SNF launched in March 2016. The original goal was to raise **\$30 million over three years**, but, with contributions from several foundations, the team **exceeded the goal by \$12 million**. In October 2016, JPMorgan Chase made the largest philanthropic grant in this period (\$5 million), which Invest Detroit leveraged to obtain an additional \$11 million for redevelopment projects.

Of critical importance, the **City put \$26 million into the SNF** and related ventures, subsidizing redevelopment projects through tax incentive and state programs, and carrying out infrastructure improvements, rebuilding streetscapes and renovating public parks.

In 2018 Invest Detroit and the City **expanded the SNF to cover 10 micro districts with a goal to raise \$130 million from philanthropy and public sources**. Kresge immediately responded with a \$15 million award. To be responsive to Detroiters of all incomes, the City created an *Affordable Housing Leverage Fund*, aimed at preserving 10,000 low-income residences and developing 2,000 new affordable homes. Administered by a non-profit partner, the AHLF goal is \$250 million.

Together, the initiatives account for \$422 million in private and public support and are expected to leverage more than \$1 billion in investment in Detroit neighborhoods.

Each SNF-funded project begins by soliciting resident input with support and oversight from the City Planning & Development Department and Department of Neighborhoods. Projects unfold in a **pre-set planning/construction sequence**. For more on the Strategic Neighborhood Fund, visit [Invest Detroit](#).

Applications for St. Petersburg

← St. Pete Mayor also committed to equitable development; willing to support bold actions (and notice the involvement of both the housing and development departments).

← St. Pete has pioneered unique philanthropic campaigns; the same approach may help anchor Deuces Rising.

← St. Pete has already committed \$22 million (possibly more) to Deuces Rising, for the same types of activities funded by the SNF.

← SVG hopes this approach can be explored for the new fund, targeting, planning, sequencing, and raising aligned funding for projects on 22nd, 16th, and 9th Streets (as micro districts).

↗ St. Pete has also set bold goals for affordable housing development. In addition, St. Pete has developed models for administering programs through non-profit partners (and is already proposing this approach for the new fund).

↗ SVG requests this approach.

Los Angeles Development Fund Was Also City-Led

The Los Angeles Development Fund (LADF) is a **non-profit corporation established by the City of Los Angeles** in 2006 with the mission to serve and provide investment capital for low-income communities or persons. At least 75% of the LADF's products and services are directed toward low-income communities and people. The LADF's activities target communities within the City of Los Angeles experiencing greater economic distress.

↑ St. Pete may want to replicate this approach (i.e., special purpose non-profit formation).

The Fund took shape as a vehicle for leveraging the federal New Markets Tax Credit (NMTC) program. The LADF is certified by the U.S. Treasury Community Development Financial Institutions Fund as a Community Development Entity (CDE).

Using allocations of NMTCs, the LADF selects projects in eligible low-income census tracts that require a subsidy to be developed. The LADF then allocates a portion of its NMTCs to the project. Those credits are sold to an investor, and the proceeds from the sale are used by LADF to invest in the project.

LADF's minimum project size is \$5 million, and its maximum is \$15 million. The Board may approve allocations above \$15 million. These investments **fund commercial, non-residential projects** with a focus on projects that create maximum community and economic benefits. Targeted project types include:

- Industrial rehabilitation or expansion
- Retail in under-served neighborhoods
- Mixed-use

At the Governing Board's discretion, LADF can finance other types of projects eligible under the NMTC program such as community facilities, charter schools and for-sale housing. The majority of NMTC financing is delivered as

debt, though equity or equity-equivalent financing may be available in special circumstances.

↑ SVG feels that the strength of the board role and its rigor in vetting projects would be a plus for the emerging Fund in St. Pete; SVG recommended in its draft 1 term sheet that LADF Governance Structure be replicated here in St. Pete.

For funded businesses, LADF investments help make projects feasible and more productive in community impact. Benefits to sponsors include below market interest, a longer than standard period of interest-only loan payments, higher than standard loan to value ratio, a longer than standard amortization period, more flexible borrower credit standards, non-traditional forms of collateral, and lower than standard debt service coverage ratio. *NMTC equity can provide 20-25% of equity like gap financing.*

The LADF's core business strategy is to:

- Minimize transaction costs
- Maximize subsidy benefits to borrowers
- Provide investment capital to communities most in need
- **Maximize leveraging of tax credits with public/private funding sources**

From 2007 to 2018, NMTC allocations awarded to LADF totaled \$260 million. At least \$175 million of that sum is fully invested.

The LADF elects to comply with the provisions of the Ralph M. Brown Act, Government Code Sections 54950, et.seq., and the California Public Records Act, Government Code Sections 6250 et seq. *All records are open to the public and may be furnished upon request.*

↑ LADF's transparency and public reporting is impressive; SVG hopes that this element of governance will apply to the new fund.

Part 2:

Models of CDC/EDO Partnerships with Cities to Do Innovation Projects

La Kretz Innovation Campus



A Key Role of the City

The City of Los Angeles and its CRA were funding sources in the \$46M project. NMTC was the principal source (\$43M). The City leveraged its Los Angeles Development Fund, created for this purpose, to cement the NMTC allocations.

This City-inspired NMTC project entailed the major renovation of a **59,985 s.f. building** in the Arts District of Downtown L.A. to house the La Kretz Innovation Campus (LKIC), a **cleantech hub** for entrepreneurs, engineers, scientists and policy makers to support the development of clean technologies and LA's green economy.

Los Angeles Cleantech Incubator (LACI) is the primary tenant. LACI is a **nonprofit conceived by the City** to work in partnership with research organizations to accelerate commercialization of clean tech by independent entrepreneurs.

LACI was founded in 2011 from an alliance among the Mayor, four universities, the Los Angeles County EDC, the Los Angeles Business Council, the Los Angeles Area Chamber, and public funders in the green box above.

Using the City-supported platform, LACI was able to create an on-site ecosystem of resources. An example is the **Zero Emissions Mobility &**

Community Pilot Fund, funded by the state to make \$100,000 seed investments in four pilots focused on growing car-share, bike-share, and emissions-free delivery opportunities to expand mobility options for low-income communities.

LKIC also **partners with nonprofits** to provide onsite workforce training focused on cleantech energy industries.

Mayor Antonio Villaraigosa says of LACI:

"[This] Incubator is an important investment in the future of our great city...developing new profitable businesses and creating jobs right here in LA. With this project, we take a big leap forward, toward a stronger, more sustainable economy that will help distinguish LA as a center of innovation and prosperity."

A 2017 report notes that the Incubator had so far created 742 new jobs by companies. LACI-companies have raised over \$30 million. For more details, visit LKIC or LACI online.

La Cocina Municipal Marketplace



In the heart of San Francisco's Tenderloin area, La Cocina is **the country's first women-led food hall**. Its aim is “to prove that economic inequality doesn't have to be the status quo.” One facet of La Cocina work is the Municipal Marketplace, a non-profit run food hall and commercial kitchen in a **City-owned facility**.

“With **community resources, city, federal and philanthropic support**, and the talent of the entrepreneurs, our Municipal Marketplace will offer opportunity for low-income and immigrant women, a safe and accessible space for residents and an innovative model for anti-gentrification, conscious development, and private and public

partnerships...La Cocina firmly believes that this **community-led economic engine can be a transformational and replicable model** to alleviate poverty in inner cities nationwide.”

The venue will serve up affordable, healthy food to area residents (as well as to foodie visitors). It also provides **manageable rents and business opportunities** for women of color entrepreneurs. Plus, with

support from LISC, the project activates a long-vacant property and transform a crime hot spot.

The City provided a 7-year lease plus \$1.5M for construction, with the Office of Economic & Workforce Development guiding the process. La Cocina's fundraising has reaped nearly \$5.3 million for the project. **La Cocina is also aiming to raise \$200,000 yearly in operating funds.**

Please note – the site is eventually slated for affordable housing development. The Marketplace is a temporary use modeled by the City to spur economic activity in the area.

To learn, visit [La Cocina online](#).

Muller Job Training Facility



This project won the 2015 Metro QLICI of the Year Award by Novogradac. The Muller Job Training Facility in the Bronx, NY, used \$15.5M in equity raised by NMTCs, to redevelop a former Army Reserve Center into a **55,000 s.f.**

residential and job training facility by **The Doe Fund (TDF)**, a **nonprofit** whose mission is to develop holistic programs to break the cycles of homelessness, addiction and recidivism.

Space uses include housing for 200 homeless persons, with an average stay of six months. Half of all clients are expected to be veterans.

TDF received a 20-year operating contract from the City of New York Department of Homeless Services to fund the project. The contract was sufficient to cover 70% of on-going debt servicing and operations. NMTC filled the 30% gap, enabling the project to move forward.

Bijou Square, City of Bridgeport, Connecticut



Bijou Square is part of **the City of Bridgeport's \$800M planned renewal and redevelopment of its downtown.** Presenting similarities to the history of the Deuces, the goal was to create and sustain a vibrant 24-hours urban neighborhood with residential, arts and entertainment spaces, restoring g to use many old, dormant commercial buildings.

One of its spaces - The Bijou Theater (1910) - is America's longest continually operated movie house. Following rehabilitation of the facility, its second floor was remodeled as Class A commercial office space. Restaurants and other support retail stores surround the theatre to complete the mixed-use urban center.

The project won the **Best Historic Rehab Involving New Construction Award** from the National Housing & Rehabilitation Association, in part because of its **creative financing package**, according to Thom Amdur, Executive Director of the Association.

The project made use of historic preservation tax credits, **Community Development Block Grant funding and NMTCs.** It was carried out by a private developer and partners.

Like the project at right, National Development Council's NMTC affiliate was a partner in the transaction.

South Church Street, Spartanburg, South Carolina



The City of Spartanburg worked with a private for-profit group, Spencer Hines Properties, to develop a 61,600 sq. ft. shopping center in the city's Southside neighborhood on Church Street.

The area has historically lacked retail establishments offering basic goods and services. The plaza attracted grocery and apparel retailers, as well as Founders Federal Credit Union and a minority-owned barber shop.

Because the area market could not attract a grocer at market-rate retail rents, the City reached out to National Development Council (NDC) for help with structuring a NMTC transaction. HEDC New Markets, Inc. (NDC affiliate) worked with the City and Carolina First Bank to structure a **\$7,084,699 NMTC investment for the plaza, against total project costs of \$7,184,131.**

This made it possible to structure below-market rents that attracted reputable tenants providing affordable goods and services. The project was completed in 2007 and initially created 37 permanent new jobs.

Please note – Similar to Tangerine Plaza, this project also suffered the eventual loss of its anchor grocery store tenant.