

PLACE BASED IMPACT INVESTMENTS IN NORTHERN KENTUCKY

Grantmakers of Kentucky
August 2, 2022





Formed to address conditions in NKY's urban core:

- Concentrated poverty
- Population loss
- Lack of municipal resources
- Property disinvestment
- Blight
- Vacancy
- **Job loss**



March 31, 2006 Vision 2015

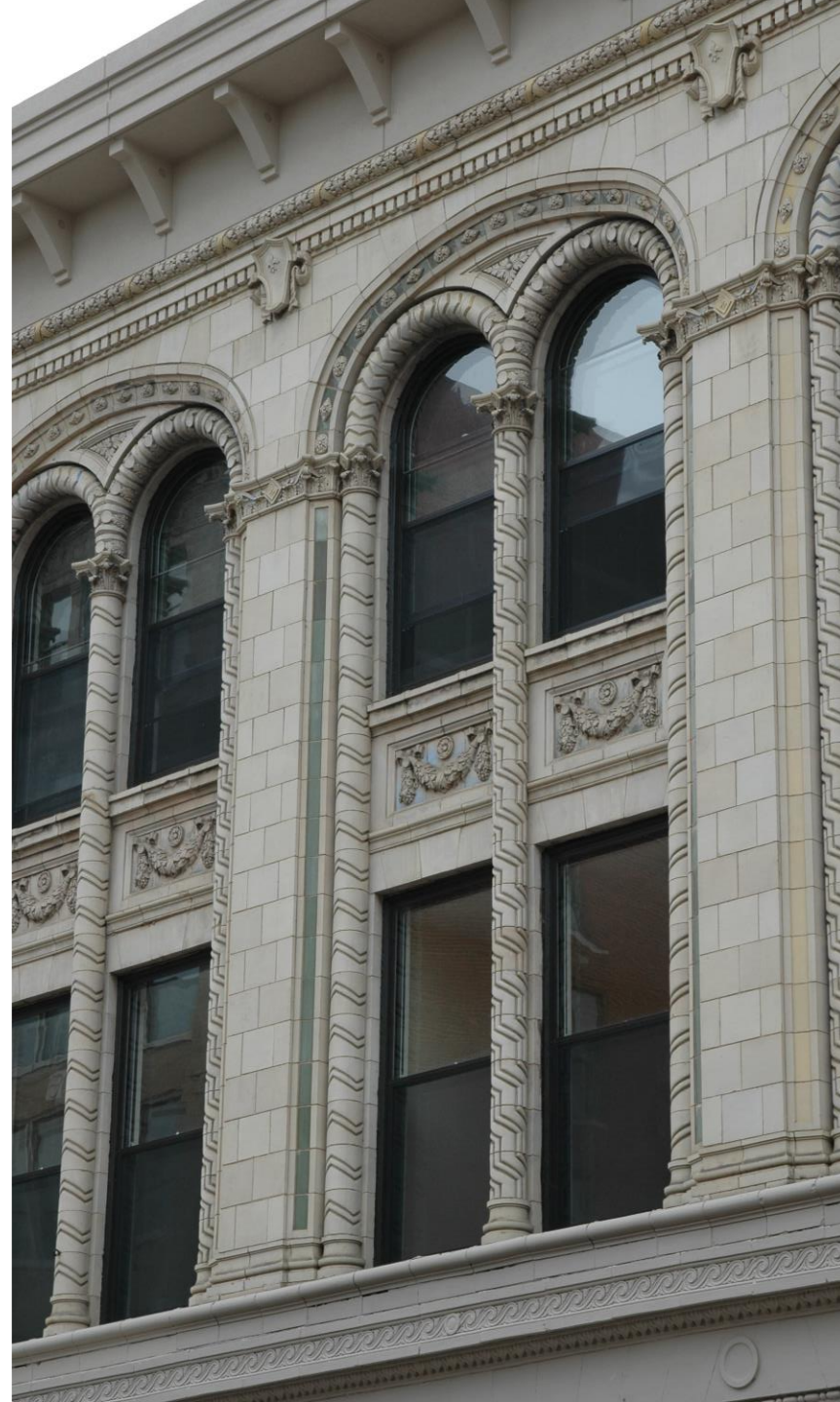
“An urban core that excites, attracts, and benefits the region”

“Create a ‘catalytic’ development company to spur development in the urban areas”

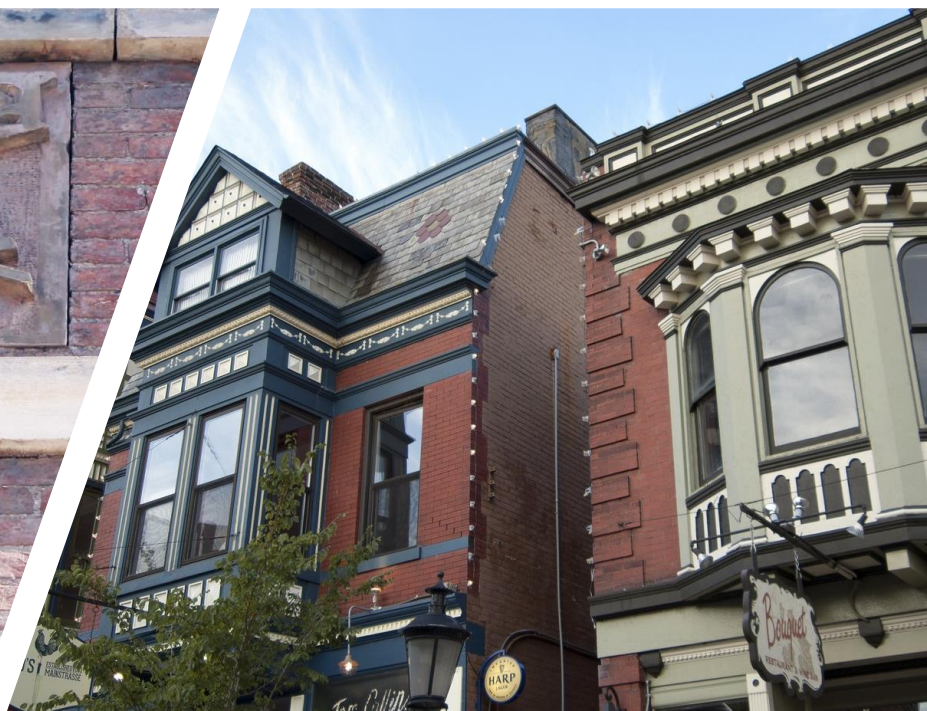
“Raise \$10M initially with long-term goal of maintaining \$20M revolving fund”

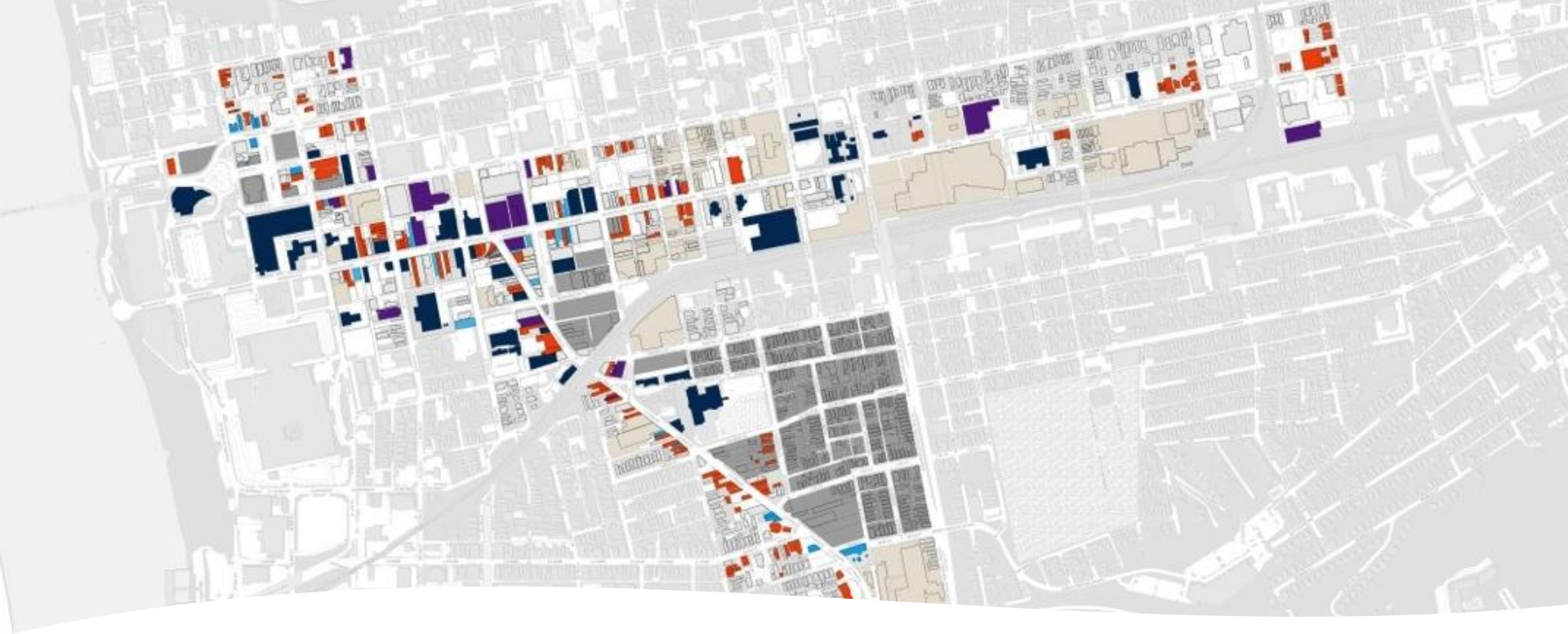
Our Start 2008

- 1 Staff
- 1 Inspirational and Awesome Chairman
- 1 Inspirational and Awesome Vice Chairman
- 1 Office
- 1 page “Concept Paper”
- \$100,000** operating funding
- \$1,000,000** investment commitment
- 1 HUGE** real estate crisis









A data driven investment strategy grounded
in **real estate fundamentals**

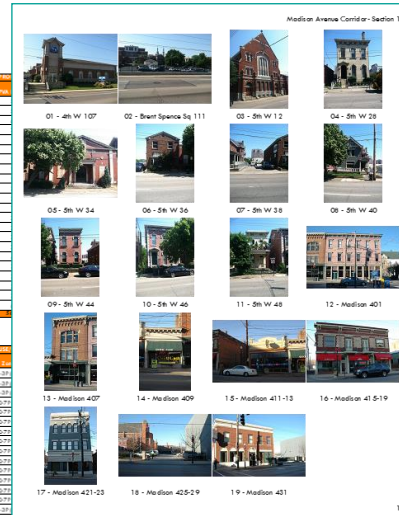
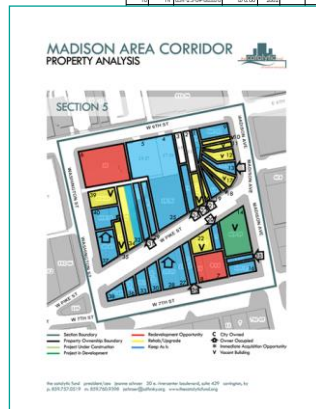
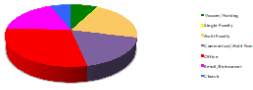
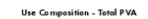
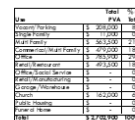
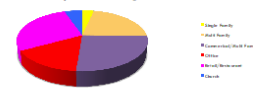
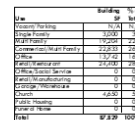
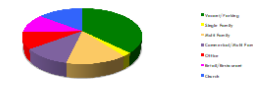
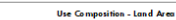
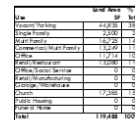
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TABLE V-2:
MULTIPLE PROPERTY OWNERSHIP
Madison Avenue Corridor

[illegible]



Capital Where It Counts

The Catalytic Fund makes **place-based impact investments** in Northern Kentucky for the purposes of :

Regional economic development (job and talent attraction) and

Local community development (improving quality of life and place for LMI residents)



We execute and support high impact **real estate projects** in NKY's River Cities via:

- Financial investments
- Development services/consultancy
- Vibrancy initiatives

We specialize in “hard to figure” out vacant properties





17 private entities (and the CDFI Fund) provide
\$21,100,000 in impact investment capital to support the
Catalytic Fund's work





Community Development Financial Institution (CDFI)



Certified by US Department of Treasury 2015



How Our Impact Investments Work

(the double bottom line)

Investors' capital is **investment, not donation**

Capital invested in **tangible real estate projects**

Capital **revolves** through investment term –
when project loans are repaid, proceeds
reinvested in new projects

Creates **high leverage** for investors



Our investment capital:

1. **Catalytic Investment Fund** – Long-term, fixed, low interest rate loans from Investor entities
2. **Flexible Capital Pool** - Grants from CDFI Fund and other sources



First bottom line:

We rigorously underwrite investments, so Investors receive **return of and on their capital**



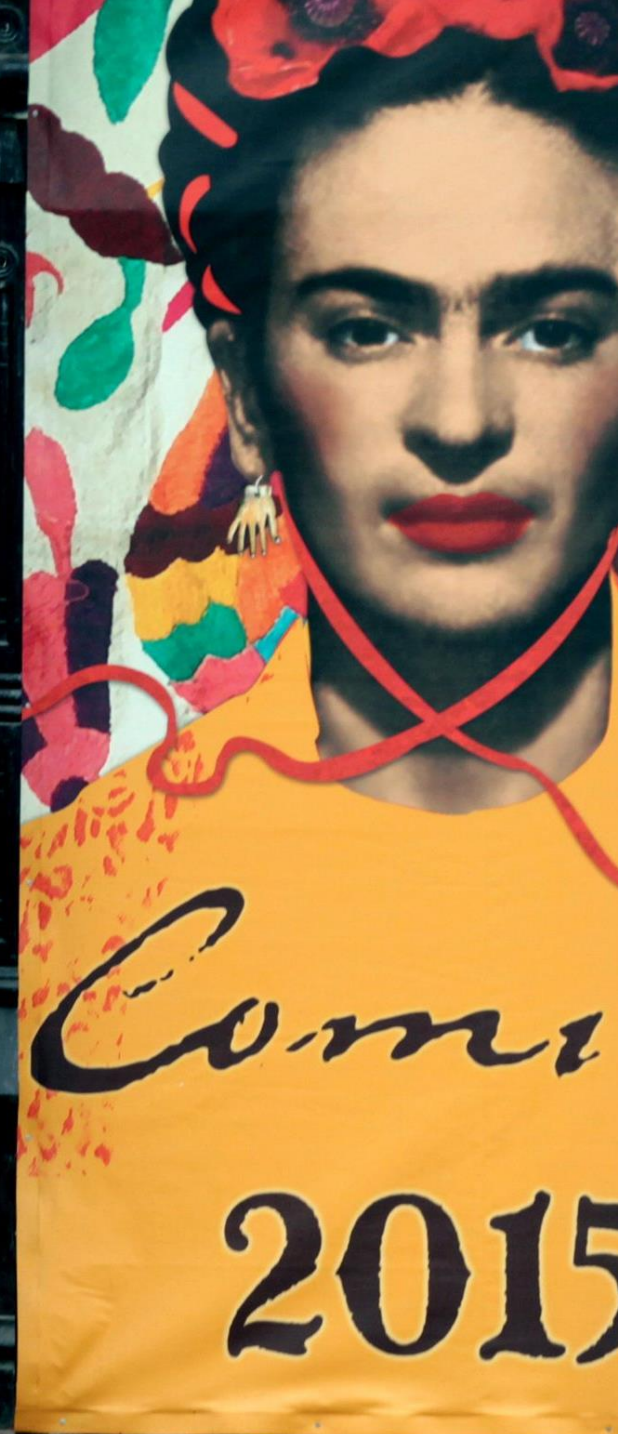


Second bottom line:

Catalytic Fund projects create **measurable economic, social and environmental returns:**

- Job creation
- Community facilities supporting residents
- Blight elimination
- Tax base growth
- Community revitalization

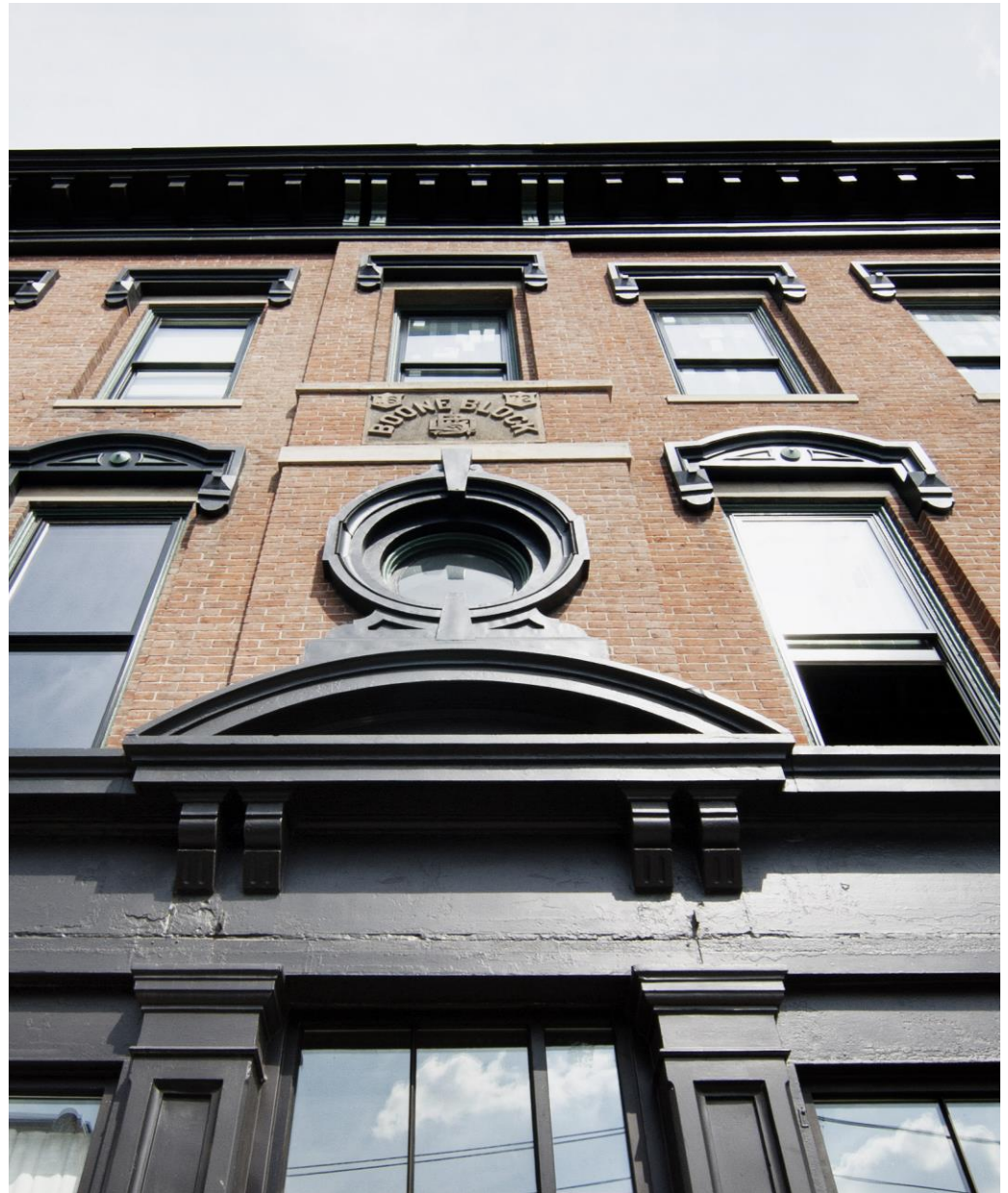
WORKING TOGETHER
FOR A BETTER FUTURE





Our Investments:

- Non-traditional
- Flexible
- Individually structured
- Higher risk profile





- Primary loans
- Subordinate loans
- Equity
- Pre-development loans
- Direct property acquisition





Investors' risk mitigated by:

- Diversification
- Professional underwriting and management by industry experts
- Board representation
- CDFI and foundation grants pair with Investor funds and take first loss position



Other investment forms:

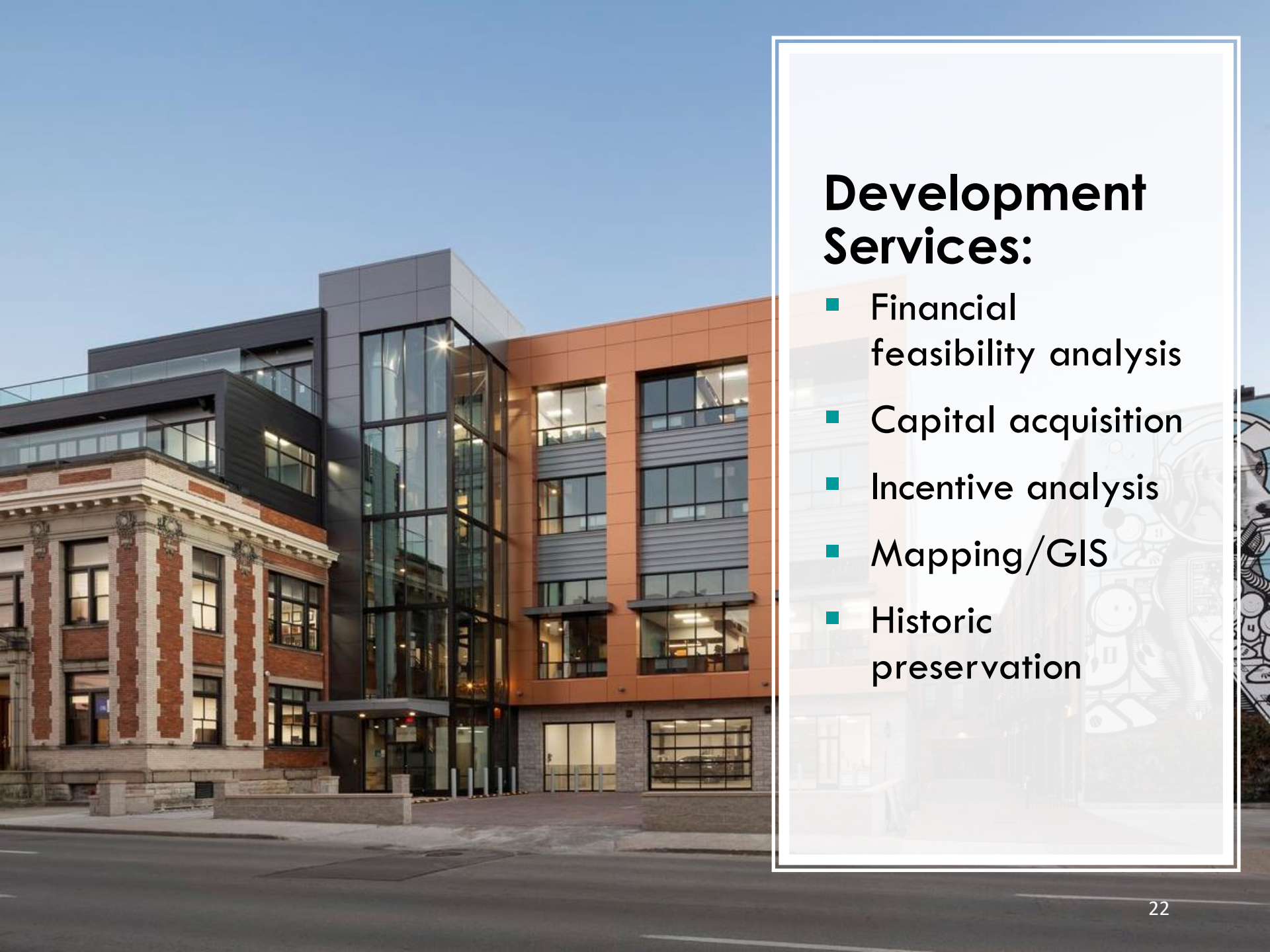
- Project specific grants





25 Grants
\$853,000
\$70,000,000





Development Services:

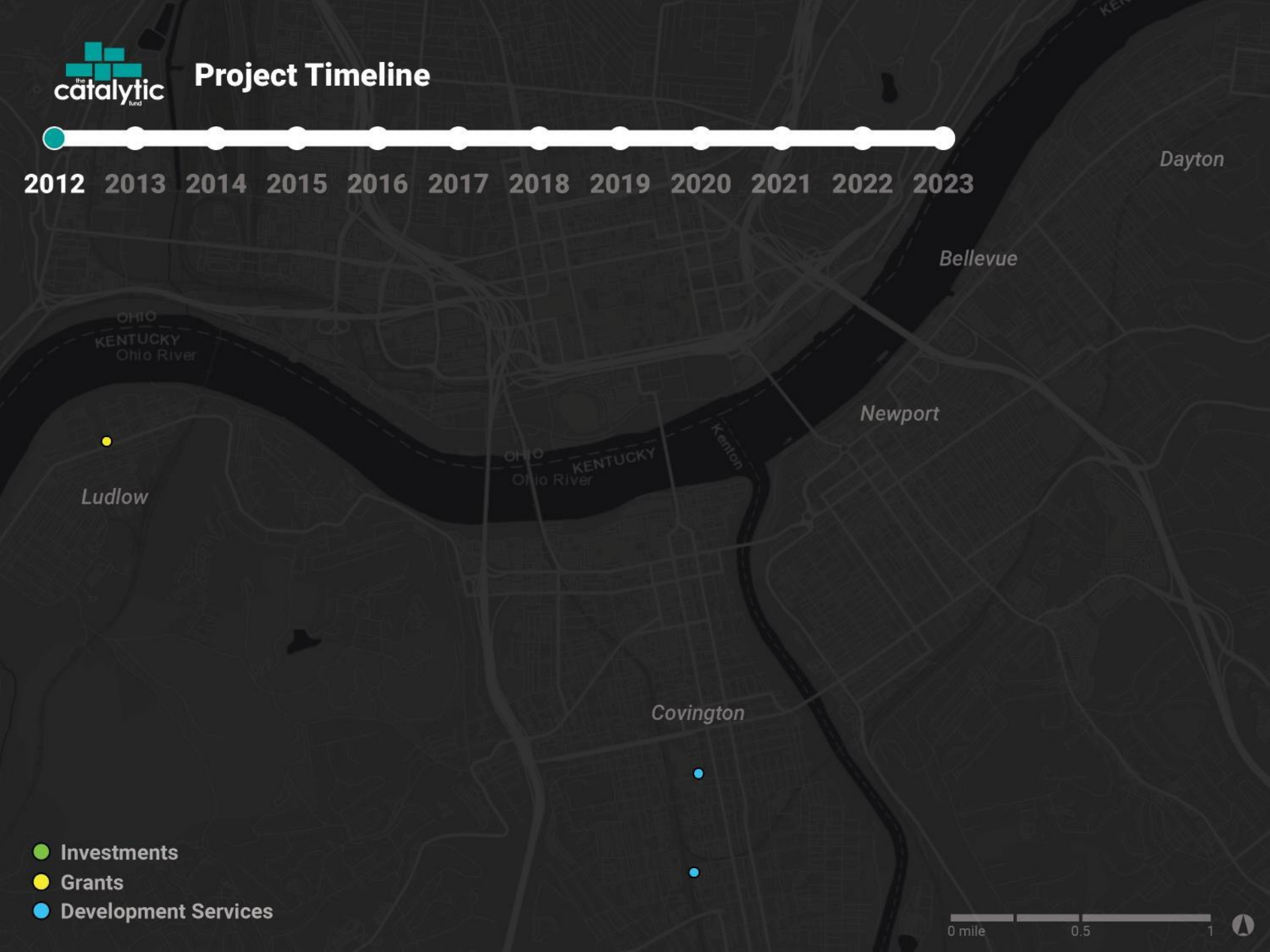
- Financial feasibility analysis
- Capital acquisition
- Incentive analysis
- Mapping/GIS
- Historic preservation



Our Track Record (9 Years)



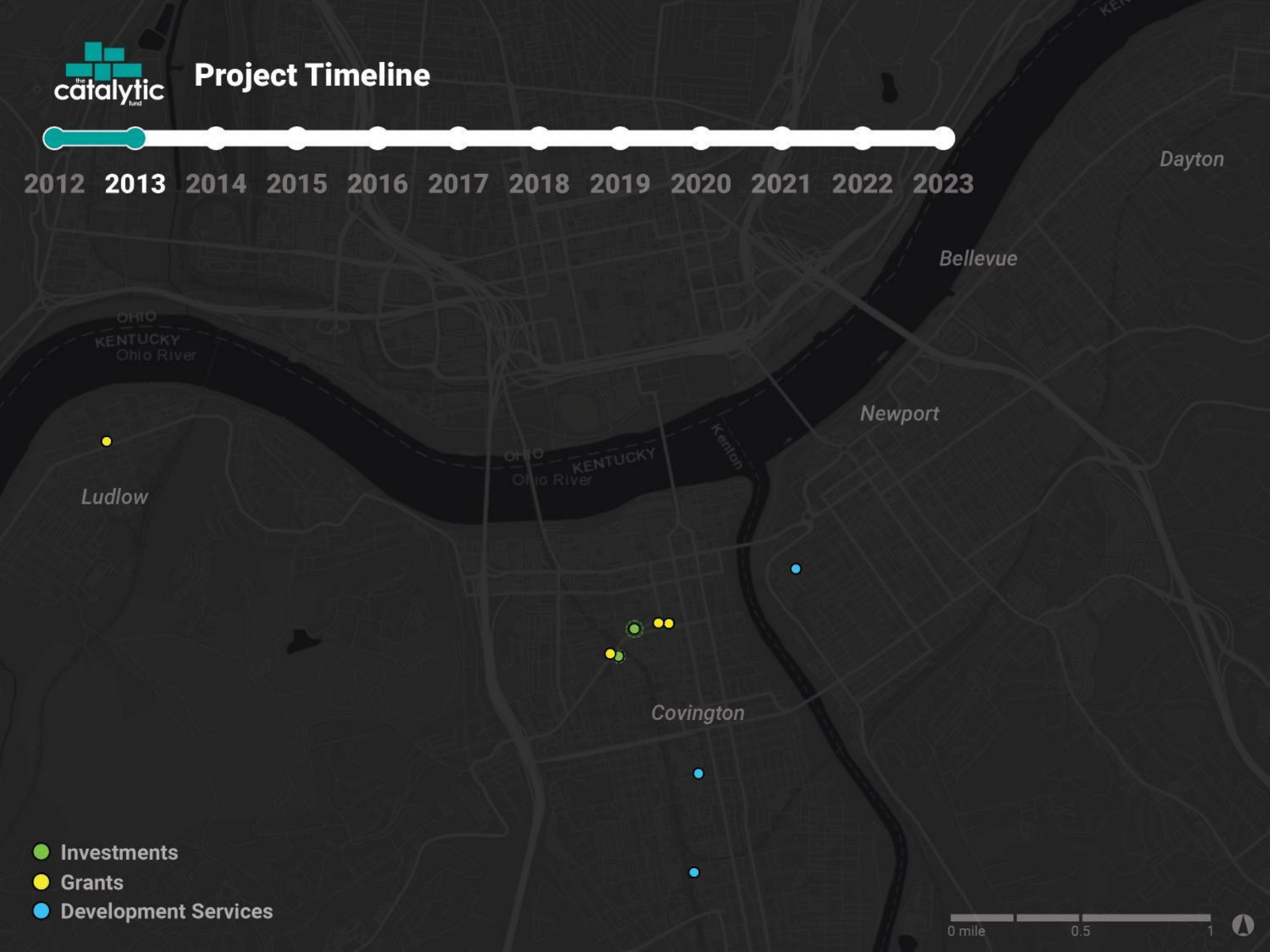
Project Timeline



- Investments
- Grants
- Development Services



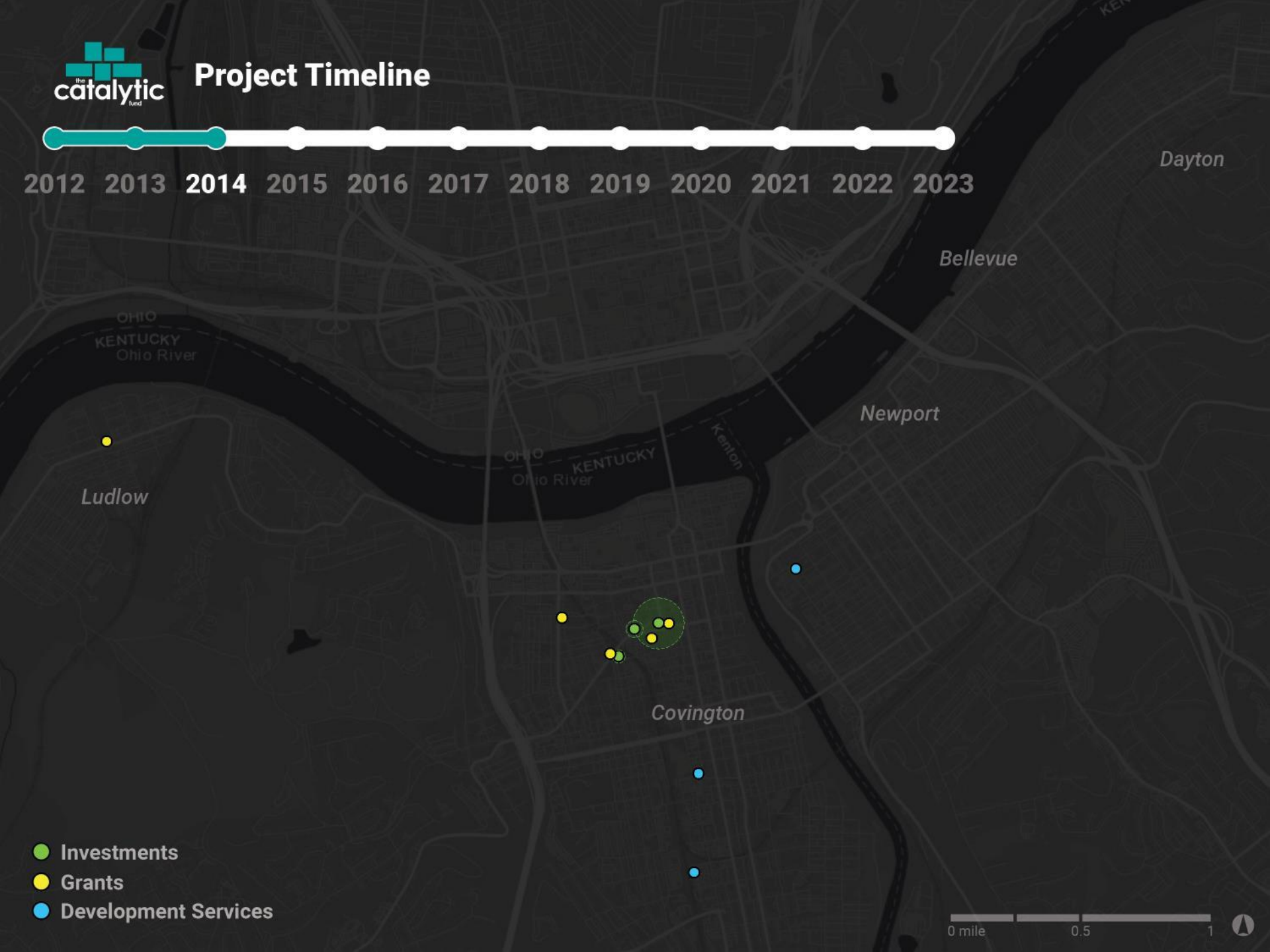
Project Timeline



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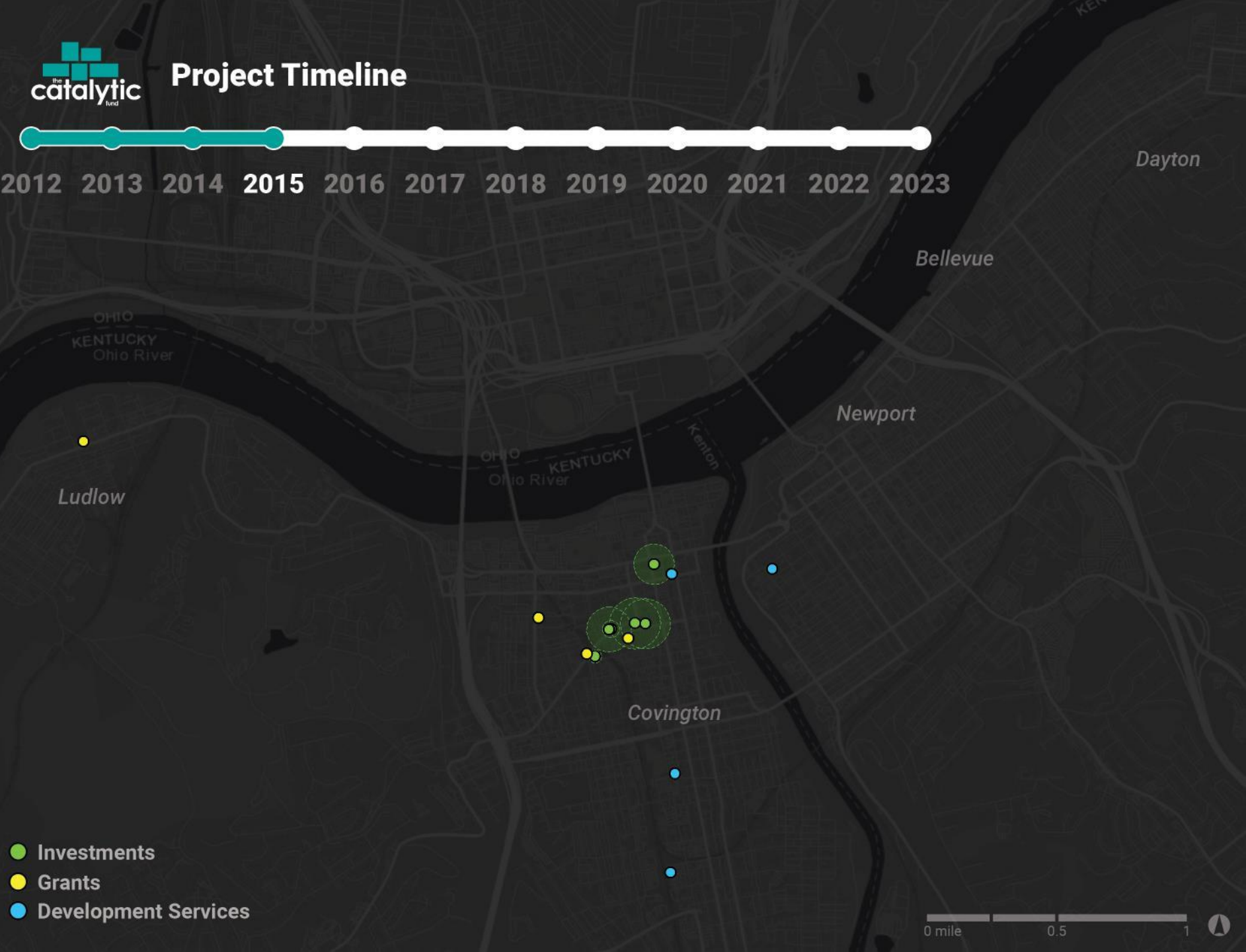


Project Timeline

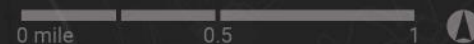




Project Timeline

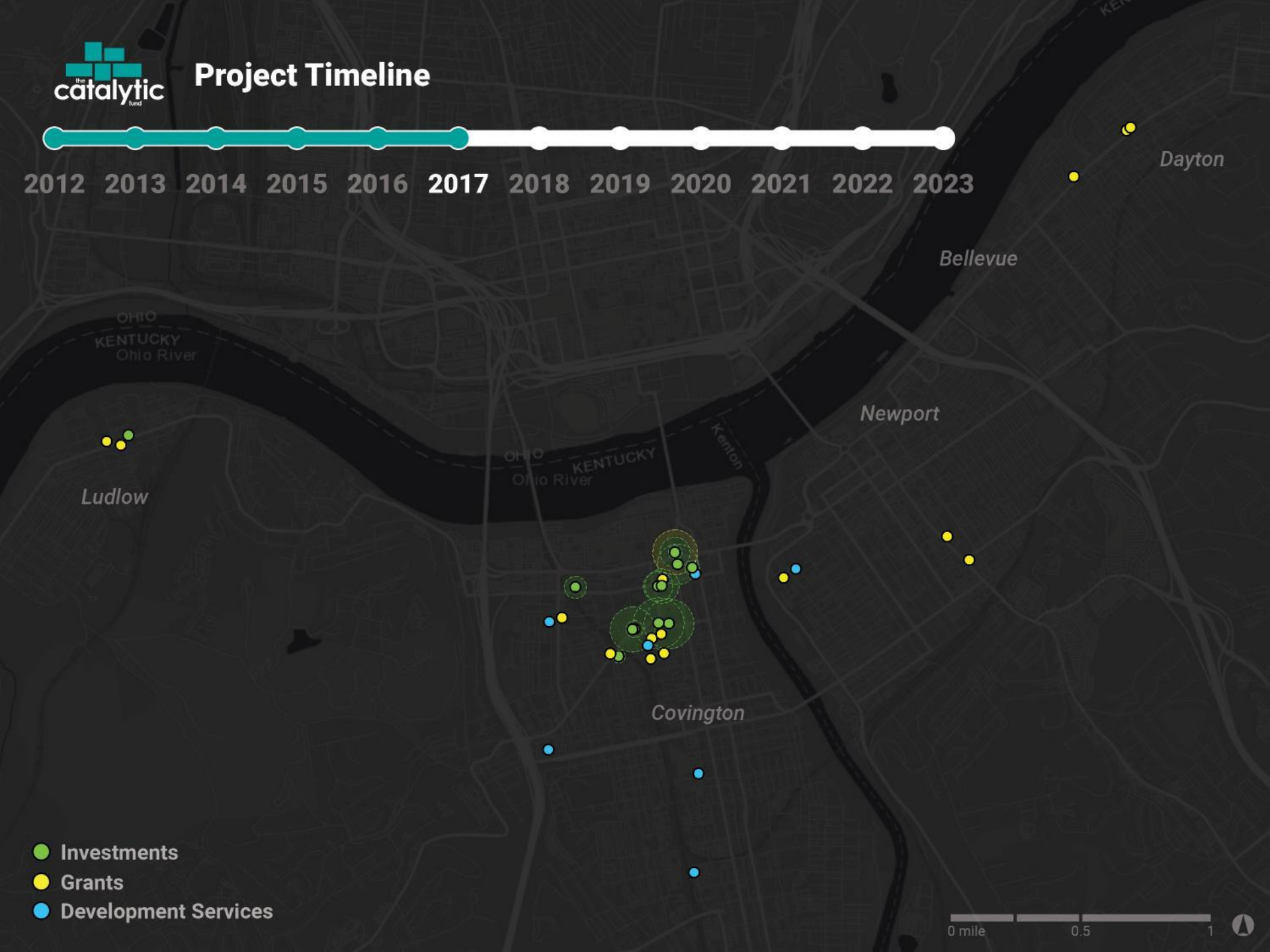


- Investments
- Grants
- Development Services





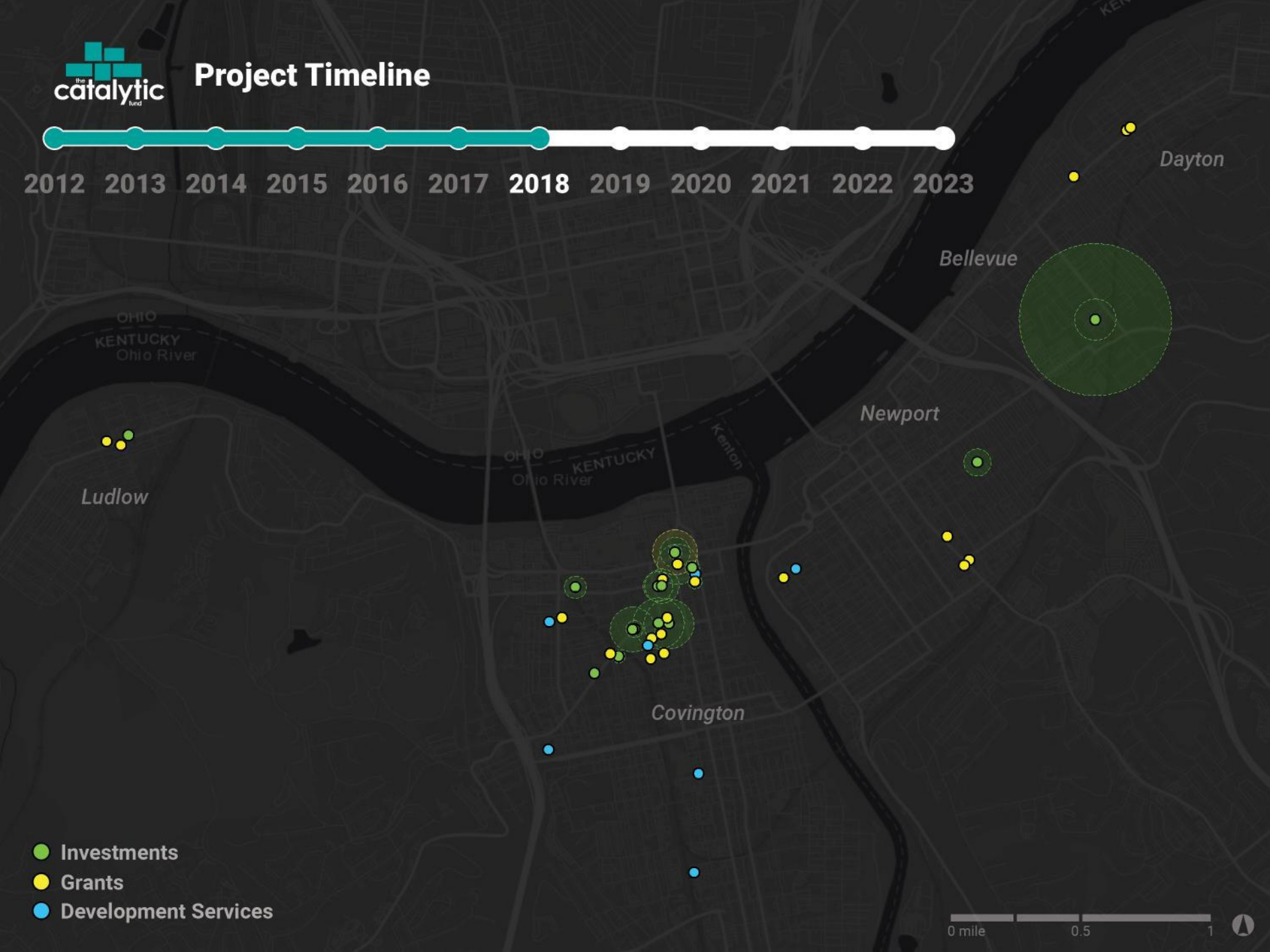
Project Timeline



- Investments
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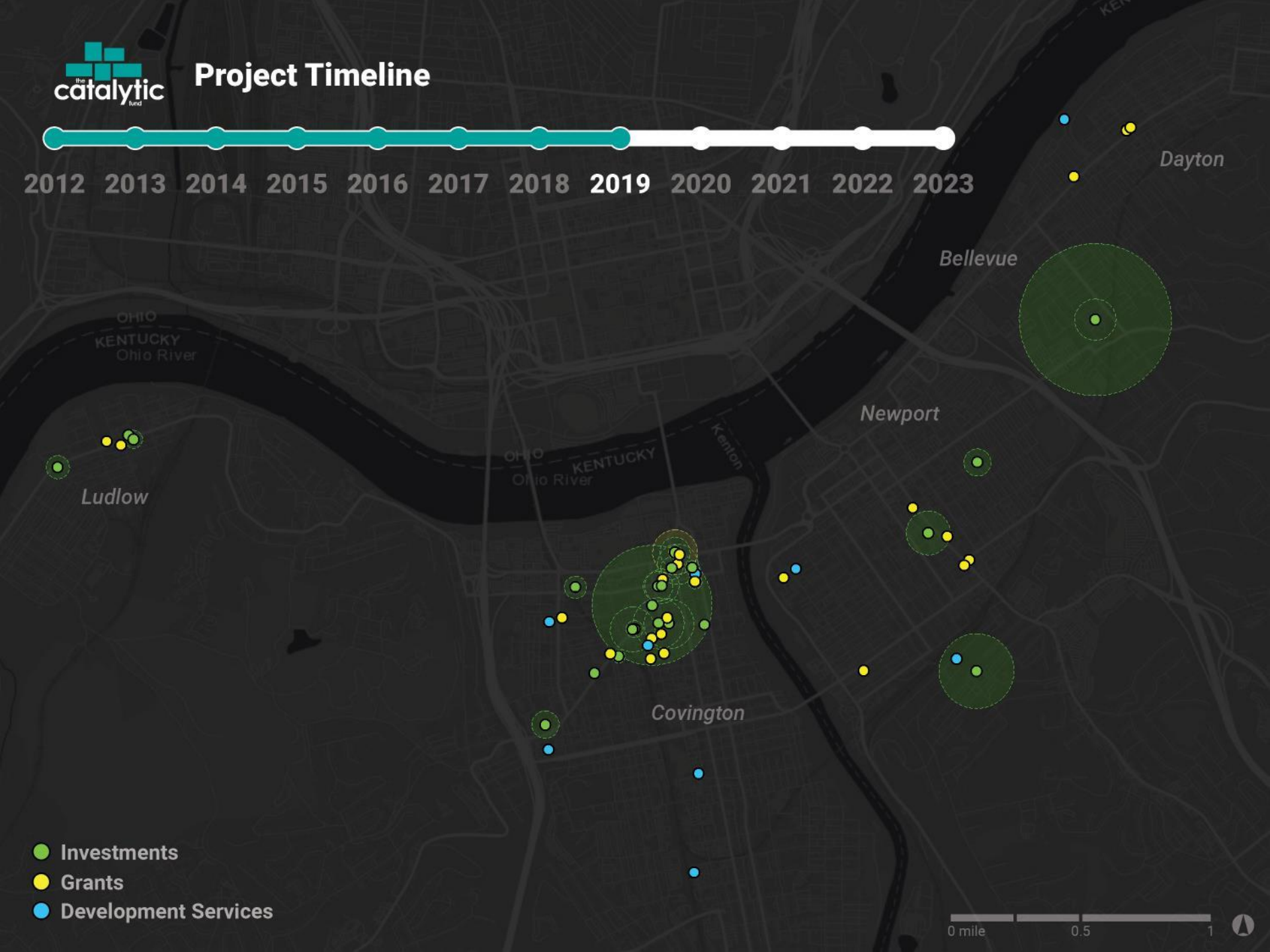
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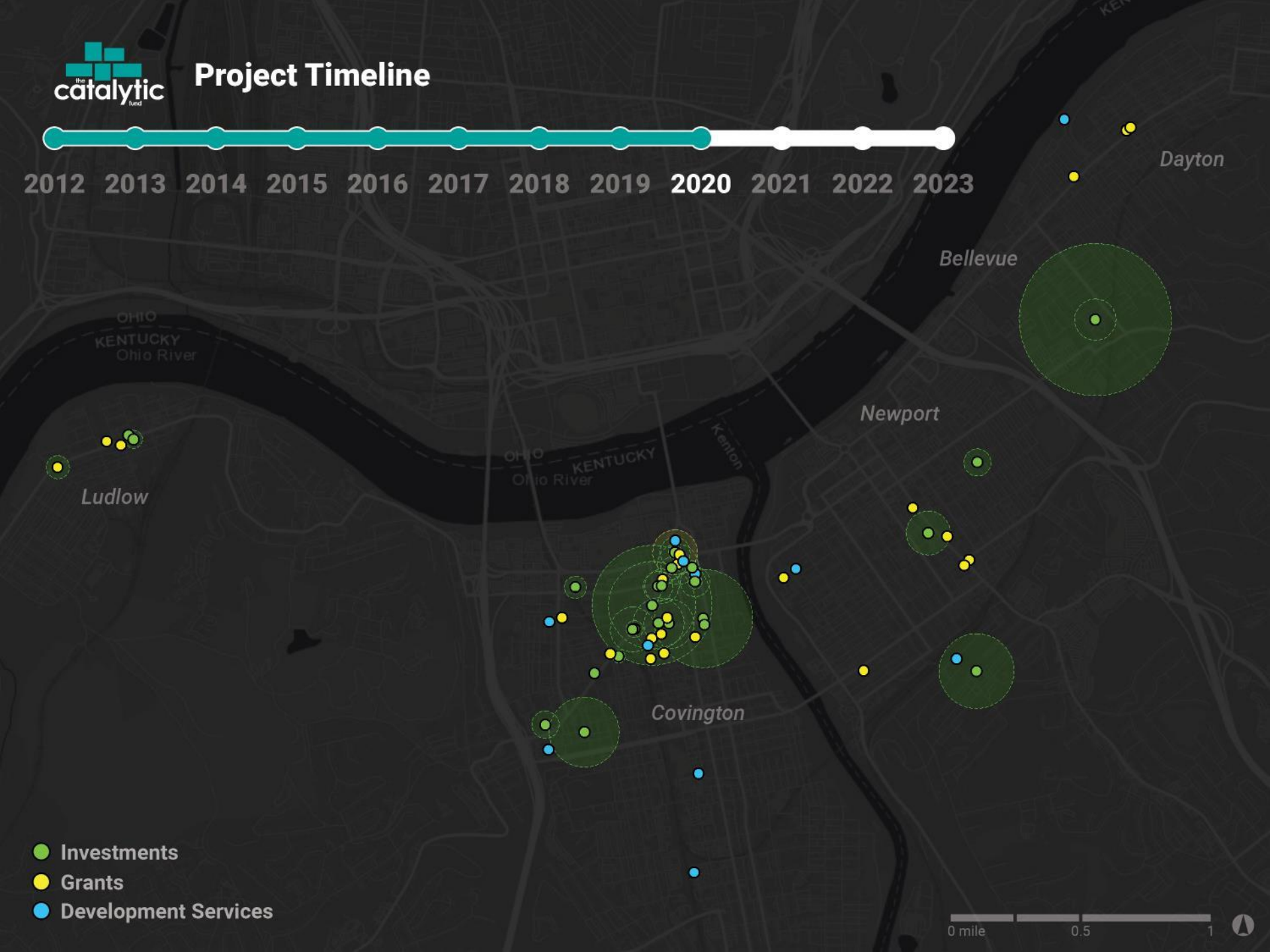


Project Timeline

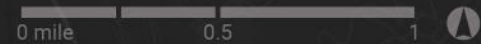




Project Timeline

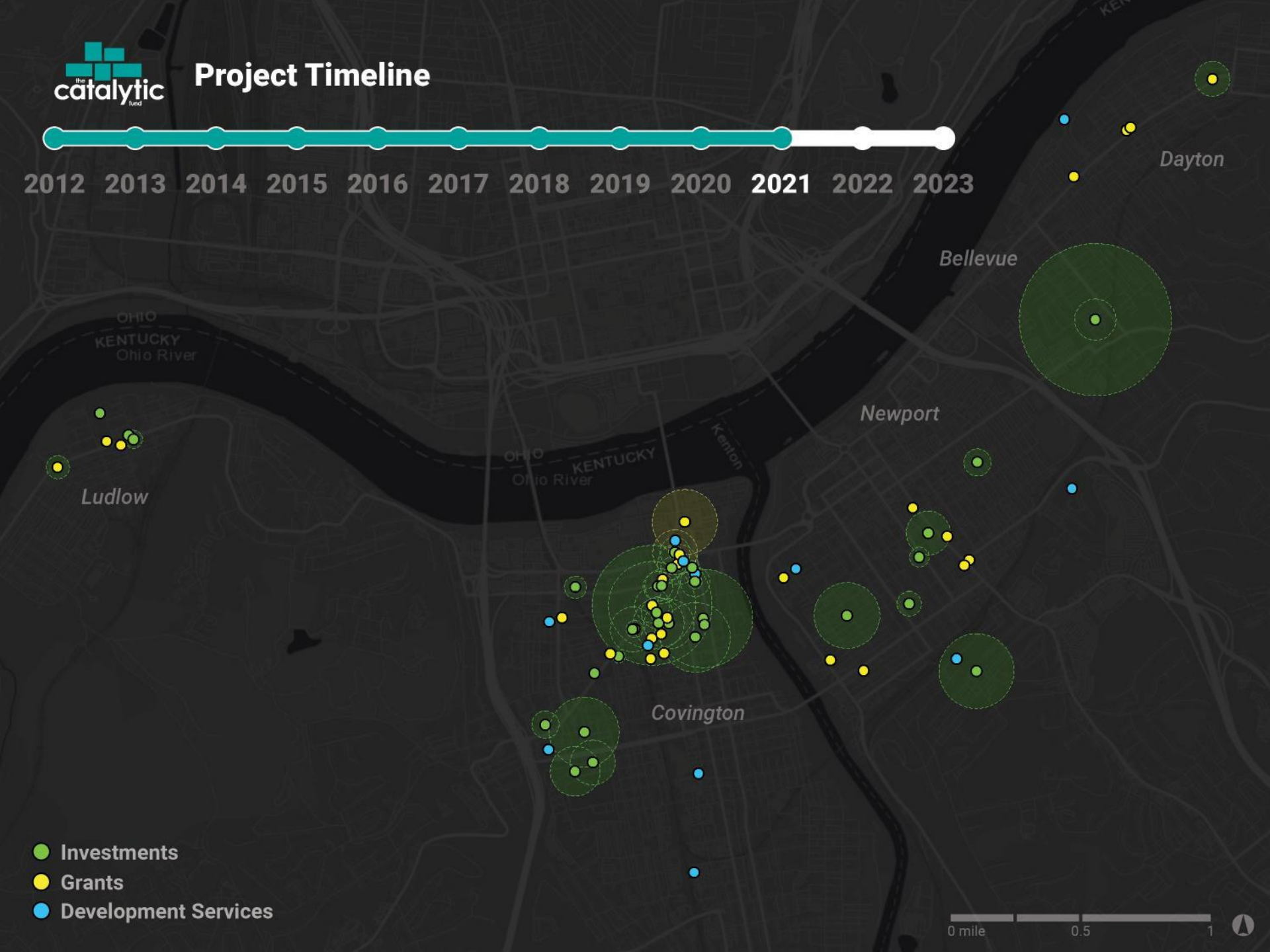


- Investments
- Grants
- Development Services

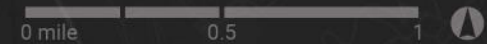




Project Timeline

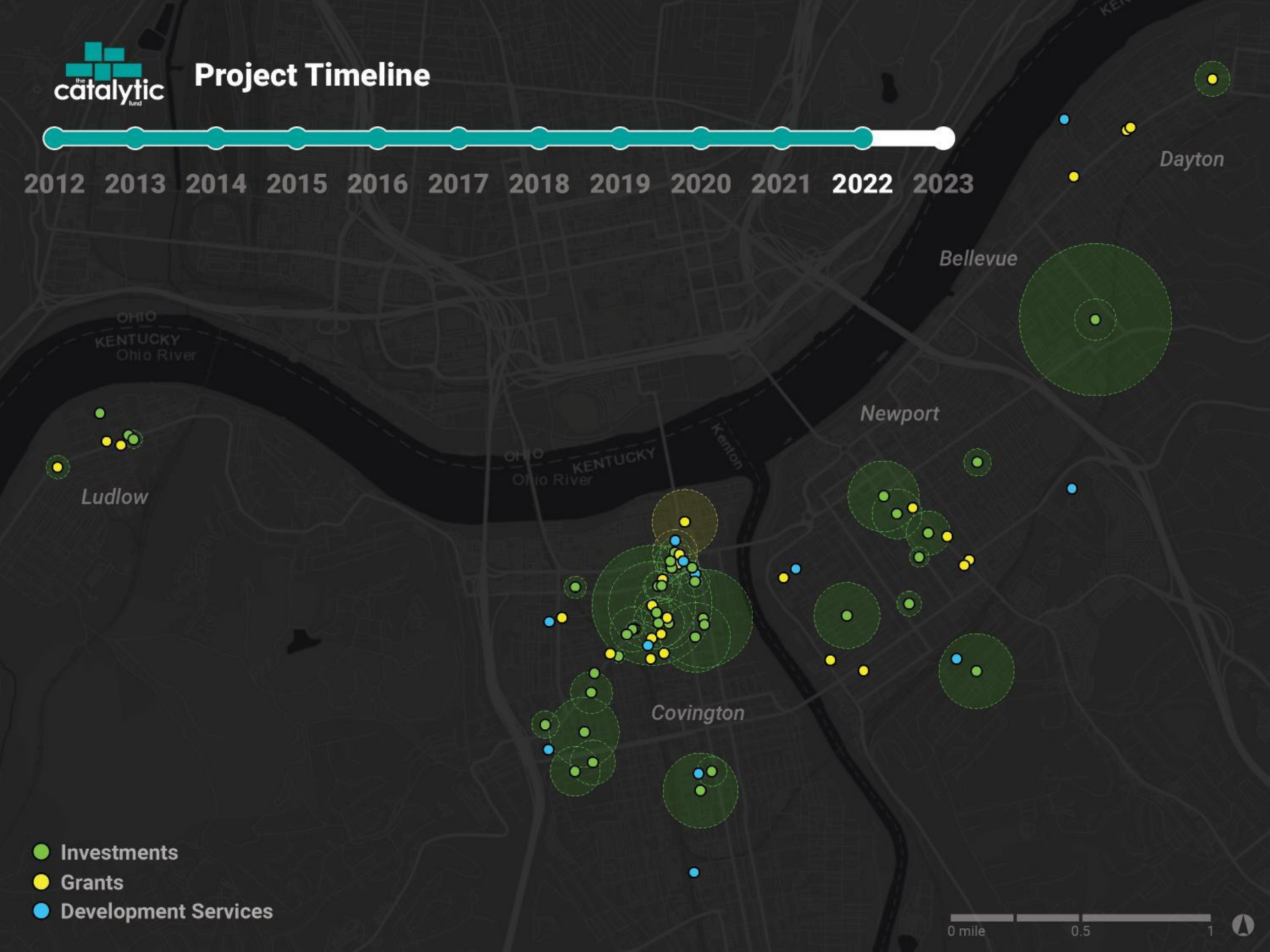


- Investments
- Grants
- Development Services





Project Timeline



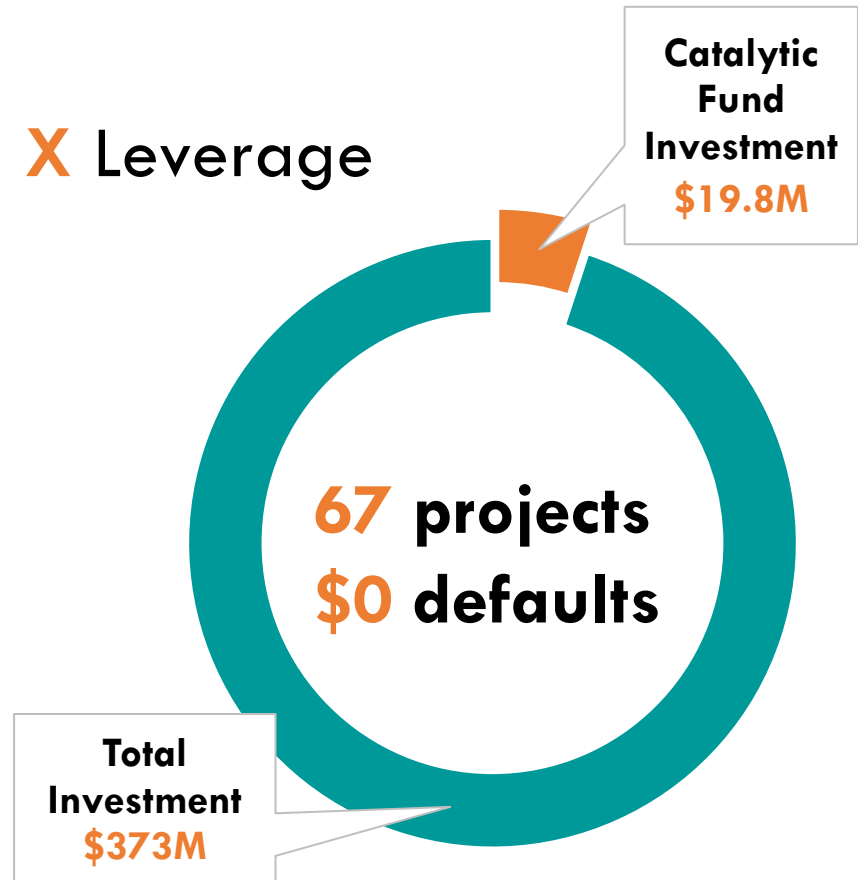
- Raised
 - **\$21.1M** for investment capital
 - **\$2.1M** for project specific grants
 - **\$5.5M** for operations
- Deployed
 - **\$19.8M** in capital for real estate projects
- Investments and development services created/advanced
 - **67** projects
 - **\$373M** total investment
- **Defaults/
delinquencies**
 - **\$0**



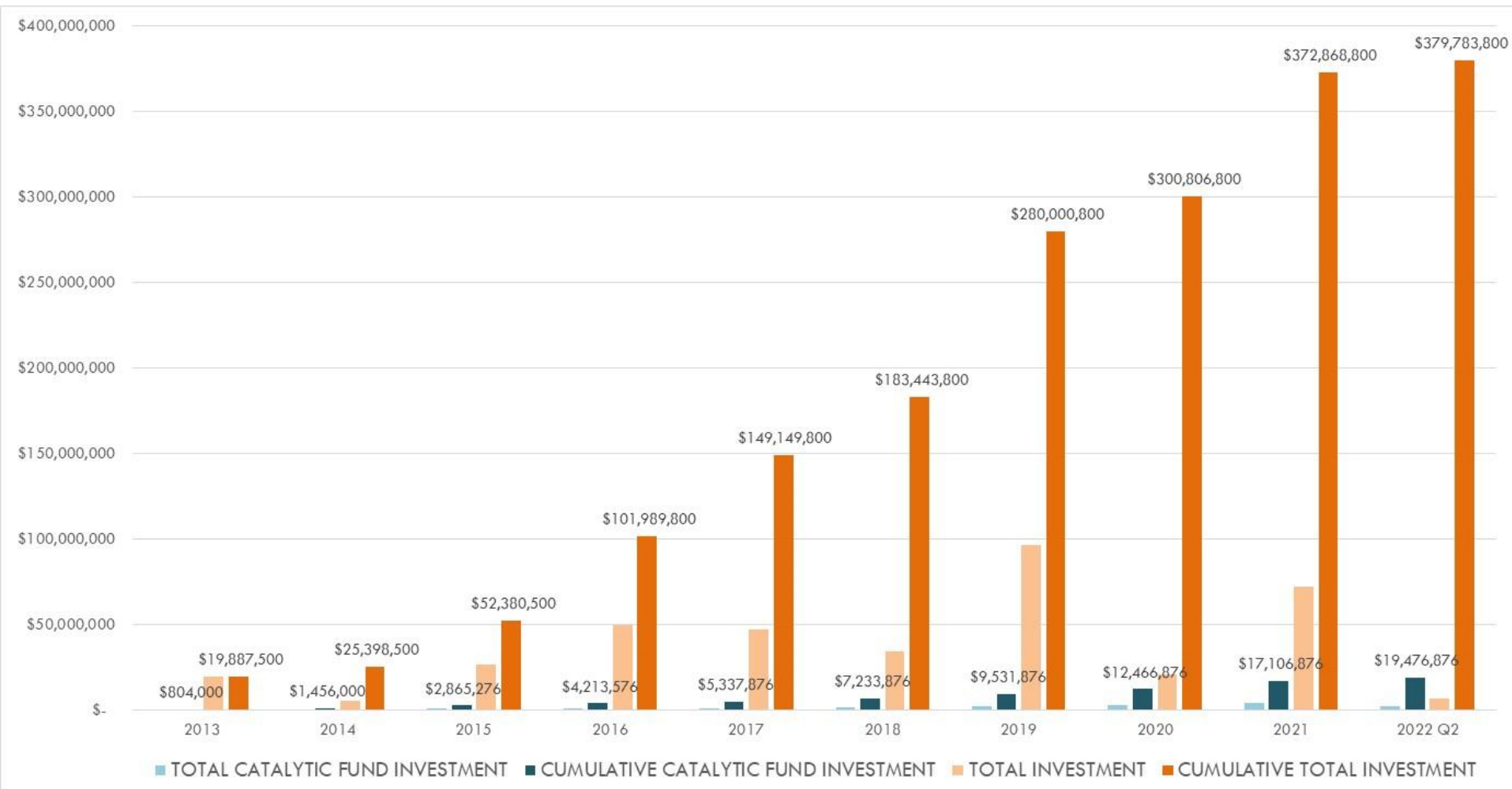
Overall Impact

- Investment - **\$373M**
- Projects – **67**
- Vacant buildings re-used – **57**
- Tenant ready commercial space – **757,000 SF**
- Residential units – **906**
- Hotel Rooms – **177**
- Community Facilities – **7**
- Jobs – **2,000+**

21 X Leverage



Impact & Leverage





A Catalytic Fund Impact Investment

The Kent Lofts





A great plan but hard to execute

Redevelopment Challenges

- Impatient seller
- Environmental remediation
- Zoning
- Parking
- Capital acquisition
- Rent affordability v. construction costs
- Developer's largest project





Our impact investment provided time to build the capital stack

- \$415,000 acquisition loan provided **patient site control**
- Investor risk mitigated by:
 - \$240,000 from flexible capital pool in first loss position
 - First mortgage on property
 - Personal guarantees

CAPITAL SOURCE	AMOUNT
Primary Loan – Supported by Income	\$6,500,000
Primary Loan – Supported by IRB	1,500,000
Federal Historic Tax Credits	1,300,000
State Historic Tax credits	200,000
Catalytic Fund Loan	Bridge for HTC
Duke Energy Rebate	33,000
Deferred Developer Fee	1,400,000
Developer Cash	700,000
Total Project Cost	\$11,633,000

Impacts



**Award winning adaptive re-use/
historic preservation**



66 affordable housing units



**\$415,000 became
\$11,000,000**

23 X leverage

100+ new residents

\$1,000,000/yr in local spending

\$400,000 in up front revenue for schools



Representative Catalytic Fund Projects

Loans, Equity Investments & Consulting Services



Community Facilities Projects

These projects converted vacant and blighted properties to assets that serve over 20,000 at-risk individuals per year

Kentucky Career Center





Life Learning Center



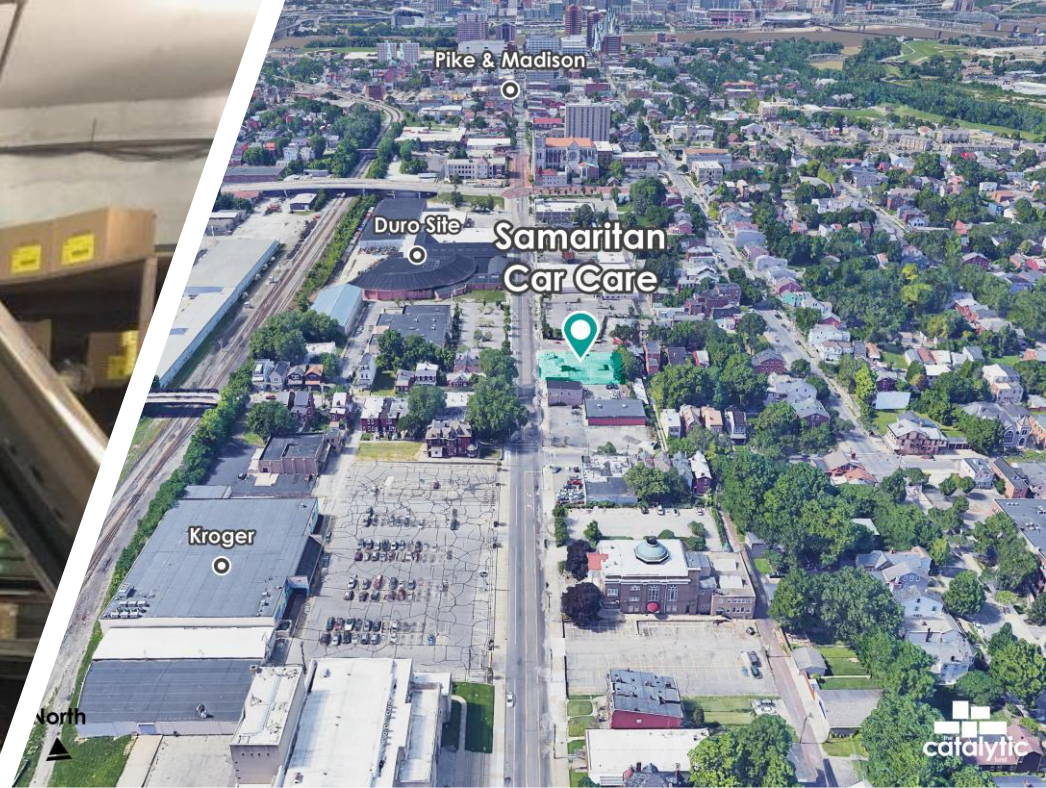


NKY Emergency Shelter - Before



NKY Emergency Shelter Now Open





Samaritan Car Care Clinic





The Catalytic Fund undertakes projects of all sizes and types if they meet the criteria of quality and community benefit

The Ludlow Historic Society project demonstrated that quality restorations of historic houses bring investment to distressed neighborhoods



Before



After



The Catalytic Fund helps small local businesses owners with finding and creating the real estate product they need to start or grow their businesses







Transformative Projects

The Catalytic Fund invests in transformational projects that create unique product to attract jobs, businesses and residents to the River Cities

IRITS
tlet



WHISKEY



HI VAL 2799
KY BEST 3199
24 7 2949

SALE
ARETTES
6.99
RTON

Wave
American
Proudly
81.99



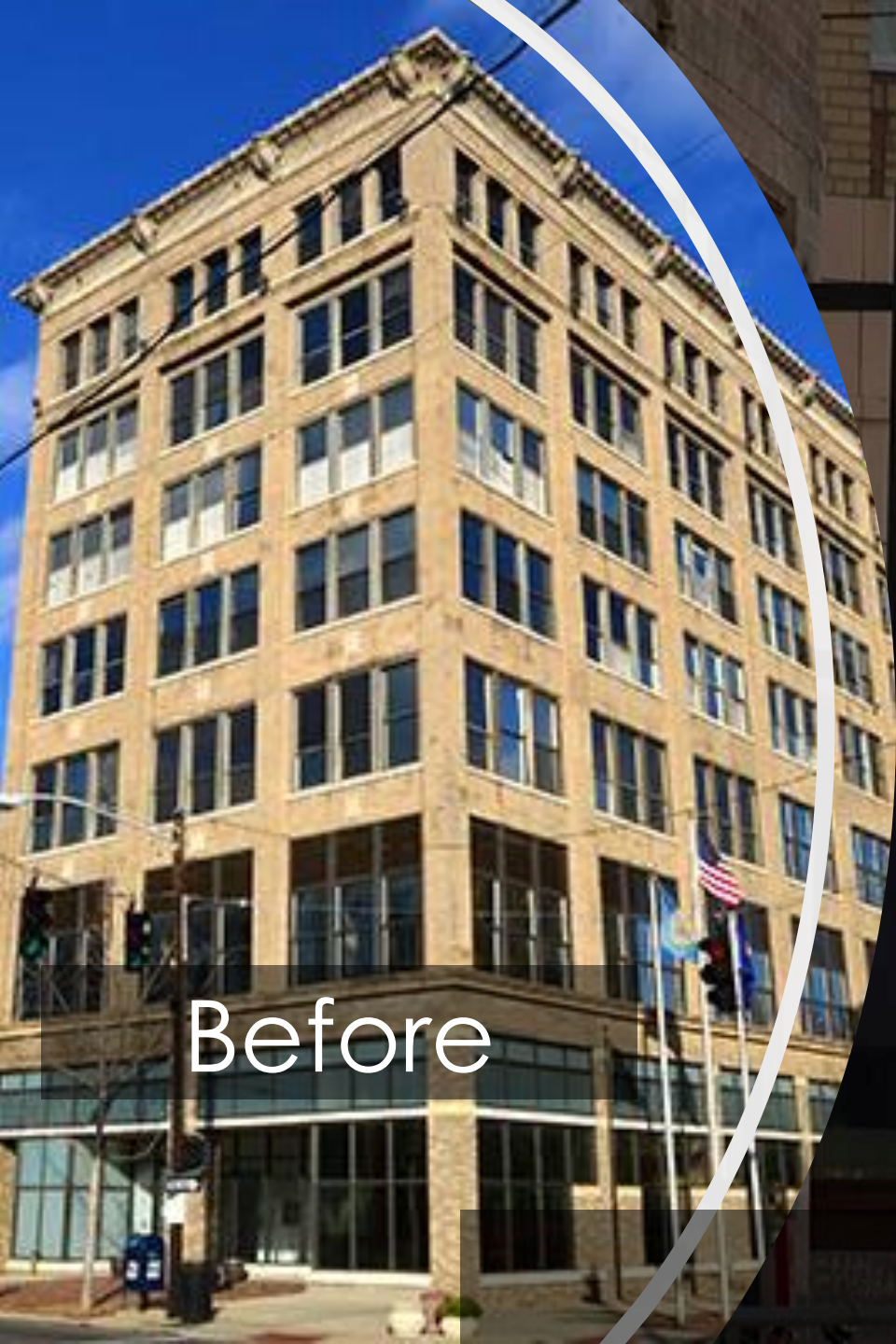












Before



HOTEL
COVINGTON

Hotel
Covington

After







The Bradford Building - Before



The Bradford Building - After







Skypoint Before





After

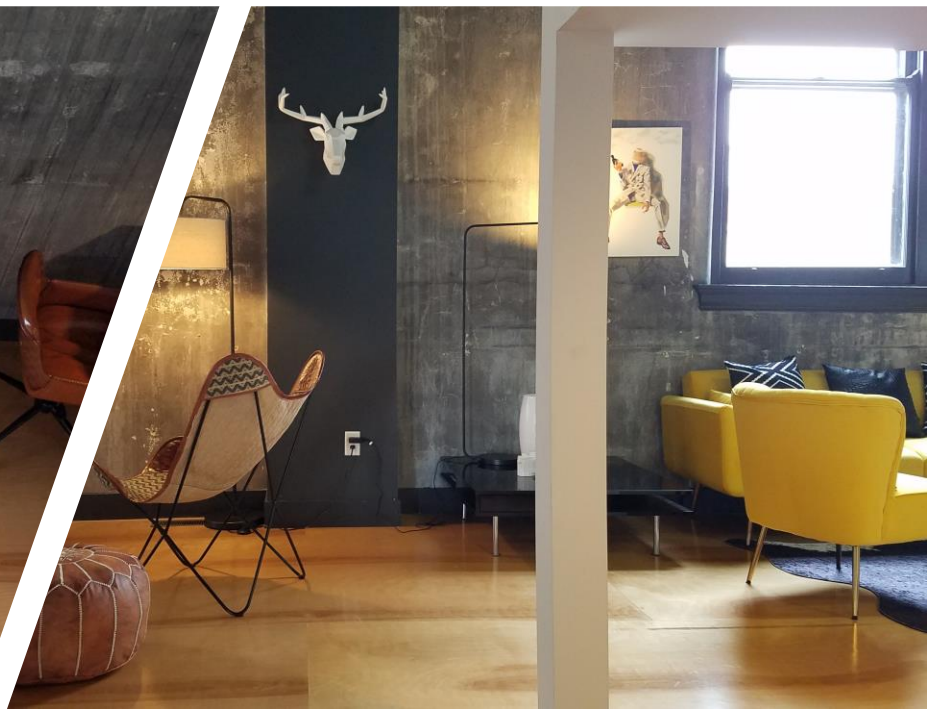






Tailor Lofts







The Monarch Building - Before





DBL Law

DBL Law





The Catalytic Fund leads vibrancy initiatives to showcase the community's vitality, promote the livability of our cities, and attract end users to our product







What's Next?

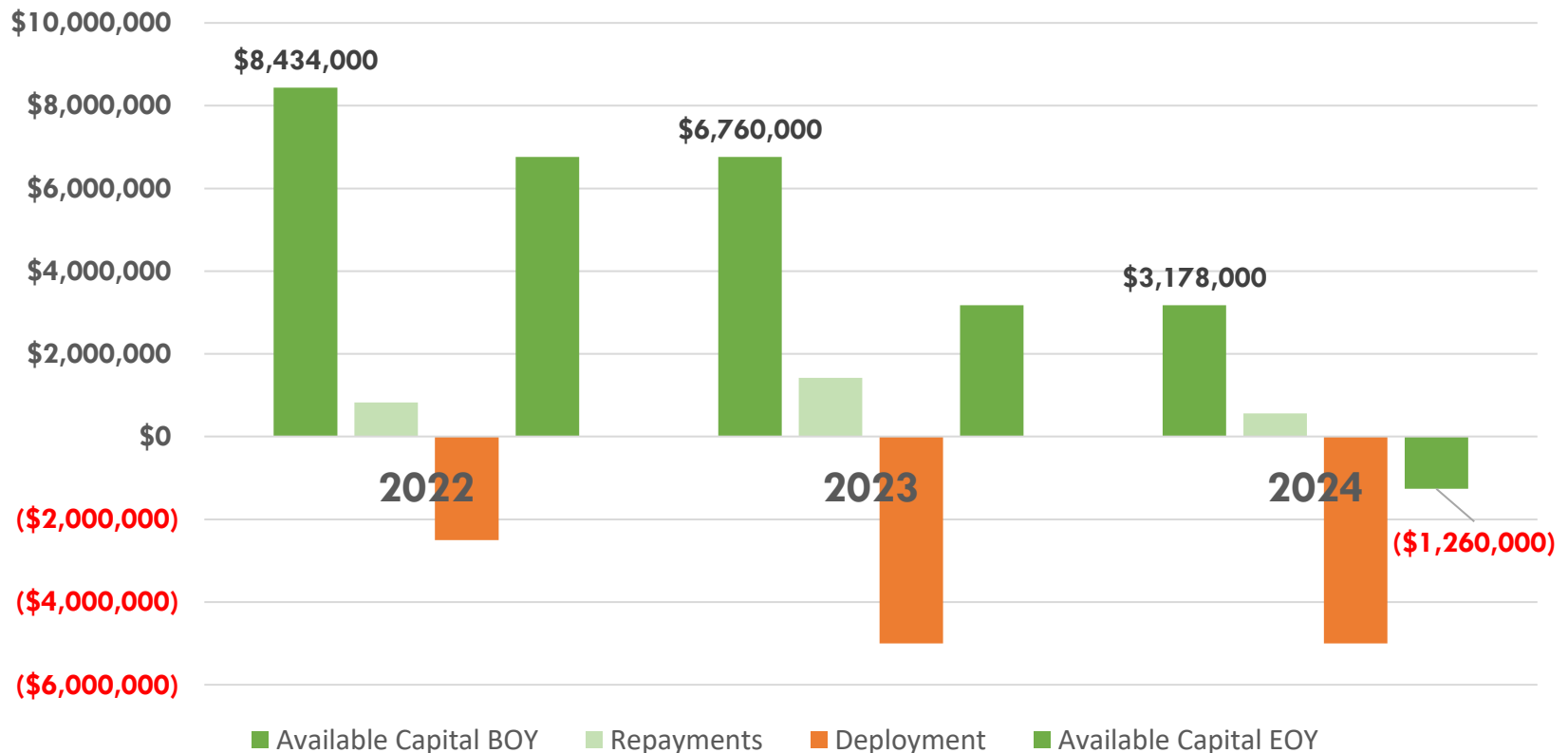
Burton Building



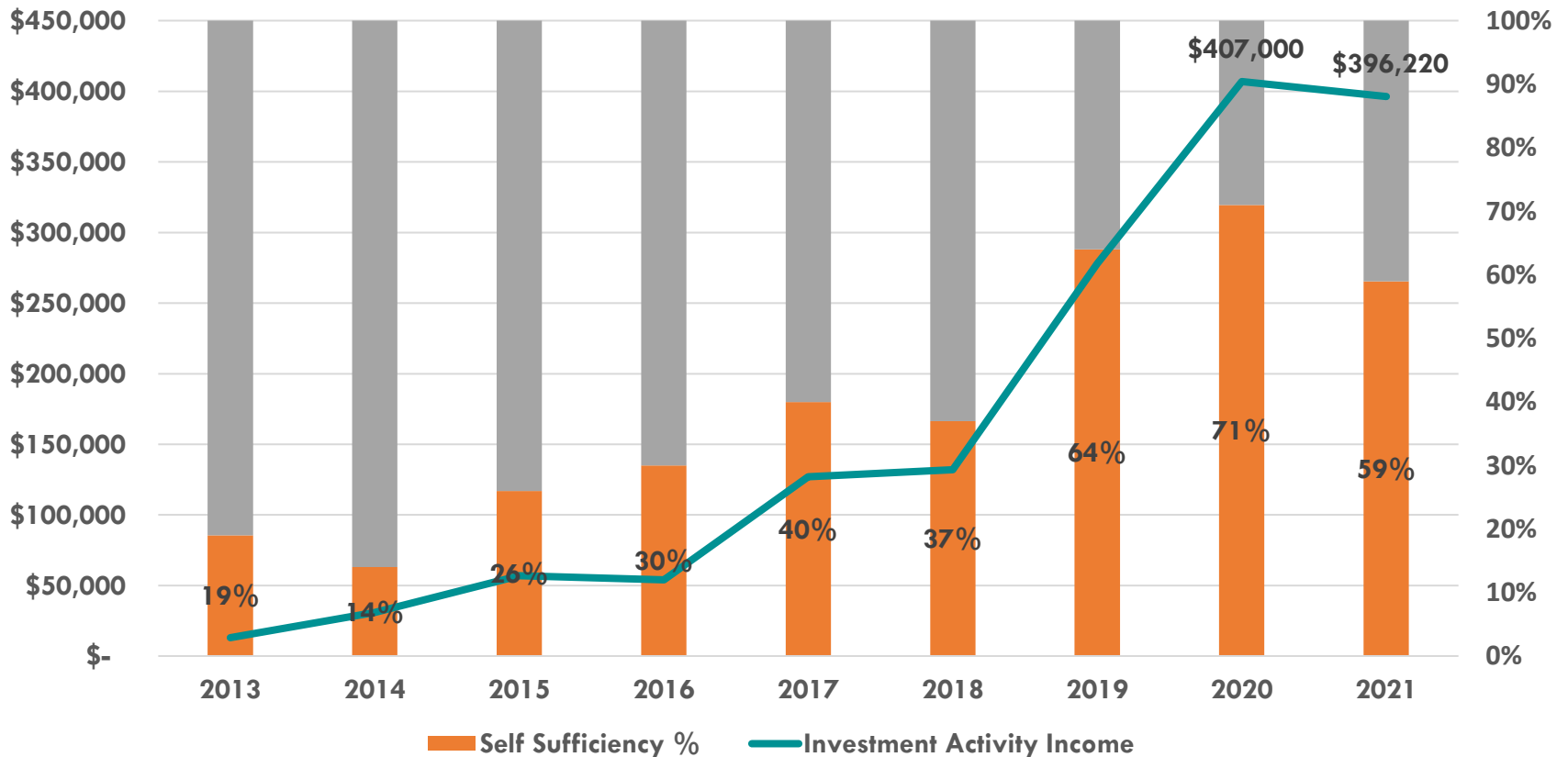


Our Challenge: We Need More Capital to Meet Current \$15M Demand

Capital Projection (\$5M Deployment)

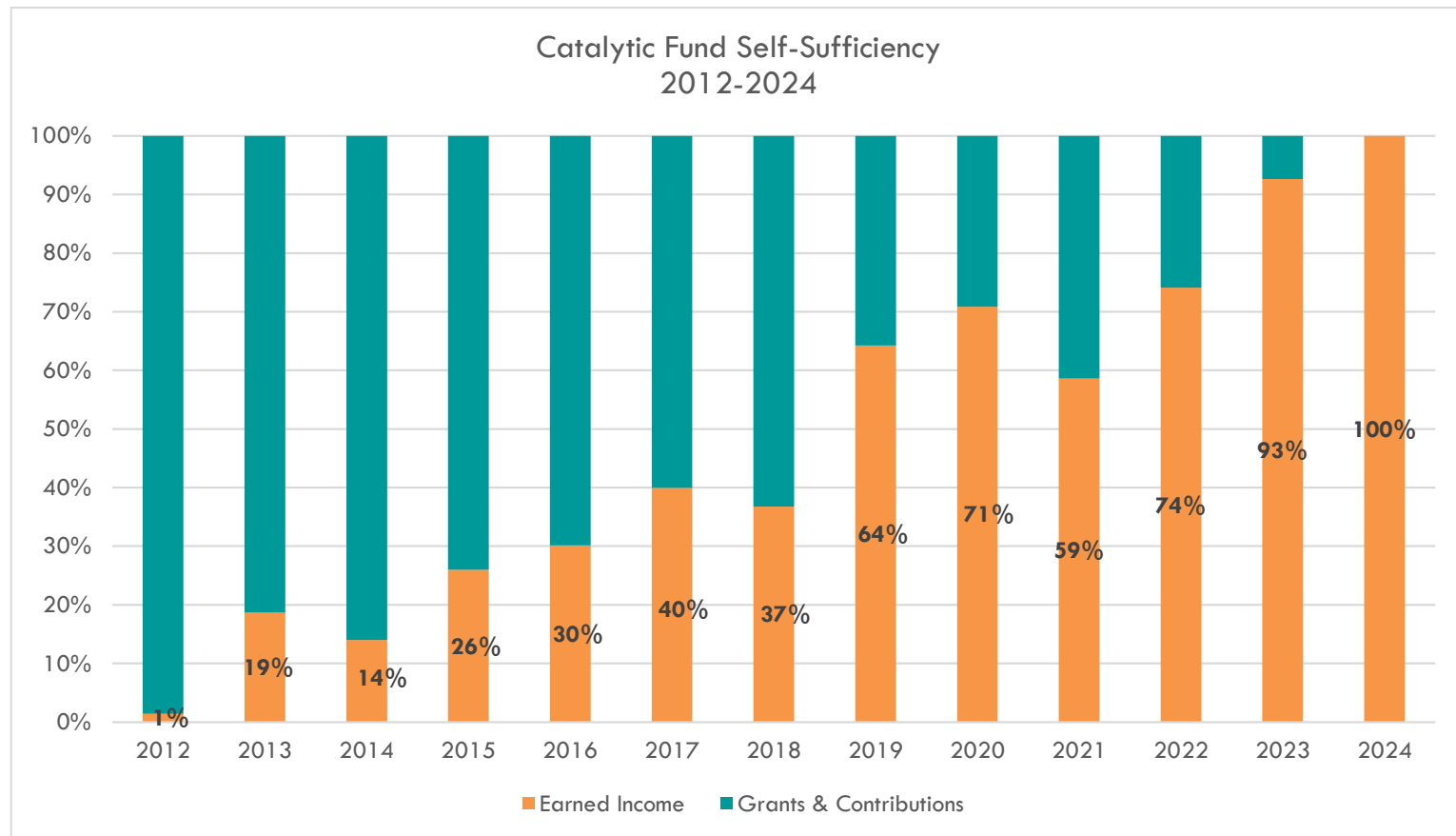


Our Challenge: A Self-Sustaining Business Model



Our Challenge:

Generating Retained Earnings For Reinvestment





Role of Philanthropy in Supporting Place Based Investment

- Operating support through start up stages
- Philanthropic grants provide 1:2 match for CDFI grants for investment capital
- Grants for capital
 - Drives down cost of funds
 - Makes affordable housing more feasible
- Provide resources for CDC's and start up CDFI's to obtain technical assistance



Thank You!

Capital Where it Counts



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