



GroundBreak Coalition

Draft December Workgroup Synthesis

Presented to GroundBreak Coalition by Imagine Deliver on December 22, 2022

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Overview of GroundBreak Coalition December Workgroup Meeting

In the fall of 2022, GroundBreak Coalition entered the *Design* phase of the *Discover, Design, and Deliver* process. GroundBreak Coalition is a group of corporate, civic, and philanthropic leaders committed to regional advancements in racial equity and carbon neutrality. These corporate, civic, and philanthropic leaders organized themselves into four workgroups that aligned with their interests and expertise. The four workgroups are focused on advancing racial equity through creating capital pathways in the areas of 1) rental housing, 2) homeownership, 3) entrepreneurship, and 4) commercial development.

GroundBreak Coalition has adopted a targeted universalism approach, focusing on the communities that are the most excluded from wealth creation opportunities to build better systems for everyone. At this stage of the coalition, workgroup members are focusing on Black renters, homebuyers, entrepreneurs, and commercial developers.

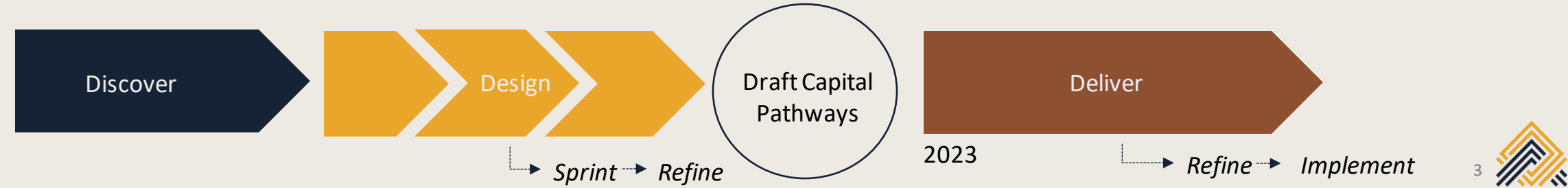
The December workgroup meetings were focused 3-hour virtual sessions intentionally crafted to refine the draft capital prototypes, created by subject matter experts using workgroup input from the *Discover* and *Design* phases. Each workgroup meeting had the following structure:

- Workgroup members were grounded in the process subject matter experts used to create the draft prototypes and their purpose for the day, which was to refine the prototypes
- Workgroup members divided into small groups, assigned by subject matter experts, to have targeted discussions focused on a series of refinement questions.
- Workgroup members returned to the large group to share excitement, concerns, and overall confidence in capital prototypes that were discussed in their group.

The following report is a synthesis of each workgroup's December virtual meeting key takeaways. Input from December workgroup meetings will be used by subject matter experts to refine the capital prototypes and deliver them to the steering committee on January 26th. Ultimately, steering committee members will be asked to champion the final capital prototypes within their respective institutions.

The diagram below is a high-level illustration of the process that GroundBreak has implemented to gather key insights from subject matter experts and leaders in their respective fields. The goal of this process is to design, refine, and implement solutions that ultimately build wealth for Black residents of Minnesota.

- **Discover:** 3-month process of understanding current conditions, barriers to achieving desired outcomes, existing solutions, and creating a shared definition of the problem
- **Design:** 3-month process of ideation, prototype development, and refinement
- **Deliver:** January delivery of recommended prototypes to the steering committee and beyond for further refinement and testing.



December workgroup meeting highlights



BIPOC Entrepreneurship

Date: Monday, December 12th

25 Participants

Design Question: How might we refine our capital prototypes to ensure long-term, sustainable, and equitable access to capital at scale?



Commercial Development

Date: Monday, December 12th

25 Participants

Design Question: How might we refine our prototype to increase the flow of capital to Black developers at scale?



Rental Housing

Date: Tuesday, December 13th

31 Participants

Design Question: How might we refine our capital pathways to build wealth for Black renters through rental housing in a way that will endure?



Homeownership

Date: Wednesday, December 14th

39 Participants

Design Question: How might we refine our prototypes to increase homeownership for Black homebuyers?



Prototype summary shared with each workgroup

Homeownership: Outcome—11,000 Black households

- Region-wide first mortgage targeted at households at 50-100% AMI
- Homebuyer Down Payment Assistance to address LTV & affordability
- Homeowner Preservation Fund to preserve assets of existing homeowners

Commercial Development: Outcome—60 Black-led neighborhood developments

- Region-wide senior debt for 60% of costs
- Region-wide junior debt for 35% of costs (funded by proceeds from Evergreen impact investment fund (patient, low-cost) with credit enhancement
- Equity enhancement for developers

BIPOC Entrepreneurship: Outcome—5,000 additional Black entrepreneurs with 8,000 jobs

- Start-up friends and family forgivable loan
- Region-wide early-stage small business loan (\$50-\$250,000) with credit enhancement
- Region-wide growth-stage commercial loan (\$250,000-\$1 million) with credit enhancement

Rental Housing: Outcome—24,000 units at 60% AMI and below (specific prototypes and outcomes forthcoming)

- Streamlining of the affordable housing development process to shorten timelines, limit uncertainty, lower costs, and unlock underutilized capital already in the system
- Maximizing the use of state, county, city bonding authority, and tax credits by unlocking low-cost, patient capital at scale
- Innovating to model how affordable rental housing can be harnessed to build wealth for Black households



Understanding prototype capital at scale across workgroups



Homeownership:
11,000 Black Households



Capital Products

**First Mortgage
Homebuyer Financial Assistance**

Grants	\$312,000,000
Loan	\$312,000,000

Homeowner Preservation Fund

\$22,000,000

HO Total \$3,863,500,000

Senior Debt for 60% of Costs

\$180,000,000

Credit Enhancement

\$18,000,000

Junior Debt for 35% of Costs

\$78,750,000

Evergreen Fund

\$63,000,000

Credit Enhancement

\$15,750,000

Equity

\$15,000,000

Owner/Developer

\$12,600,000

Grants

\$2,400,000

CD Total \$291,750,000

**Start-up Friends & Family/Forgivable Loan
Early-stage Small Business Loan**

Loan

\$250,000,000

\$468,750,000

Credit Enhancement

\$312,500,000

\$156,250,000

Growth-stage Commercial Loan

Loan

\$781,250,000

Grants

\$625,000,000

\$156,250,000

Eship Total \$1,500,000,000



Commercial Development:
60 Black-led neighborhood
developments



BIPOC Entrepreneurship: 5,000
additional Black entrepreneurs
with 8,000 jobs

Estimates

Capital Needed

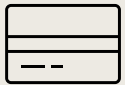


Mainstream Capital Sources
\$4,335,000,000

To Unlock: \$1,320,250,000



Grants
\$586,400,000



**Credit
Enhancements/Guarantees**
\$346,250,000



Impact Investments
\$375,000,000



Developer Equity
\$12,600,000



Shared qualities across prototypes

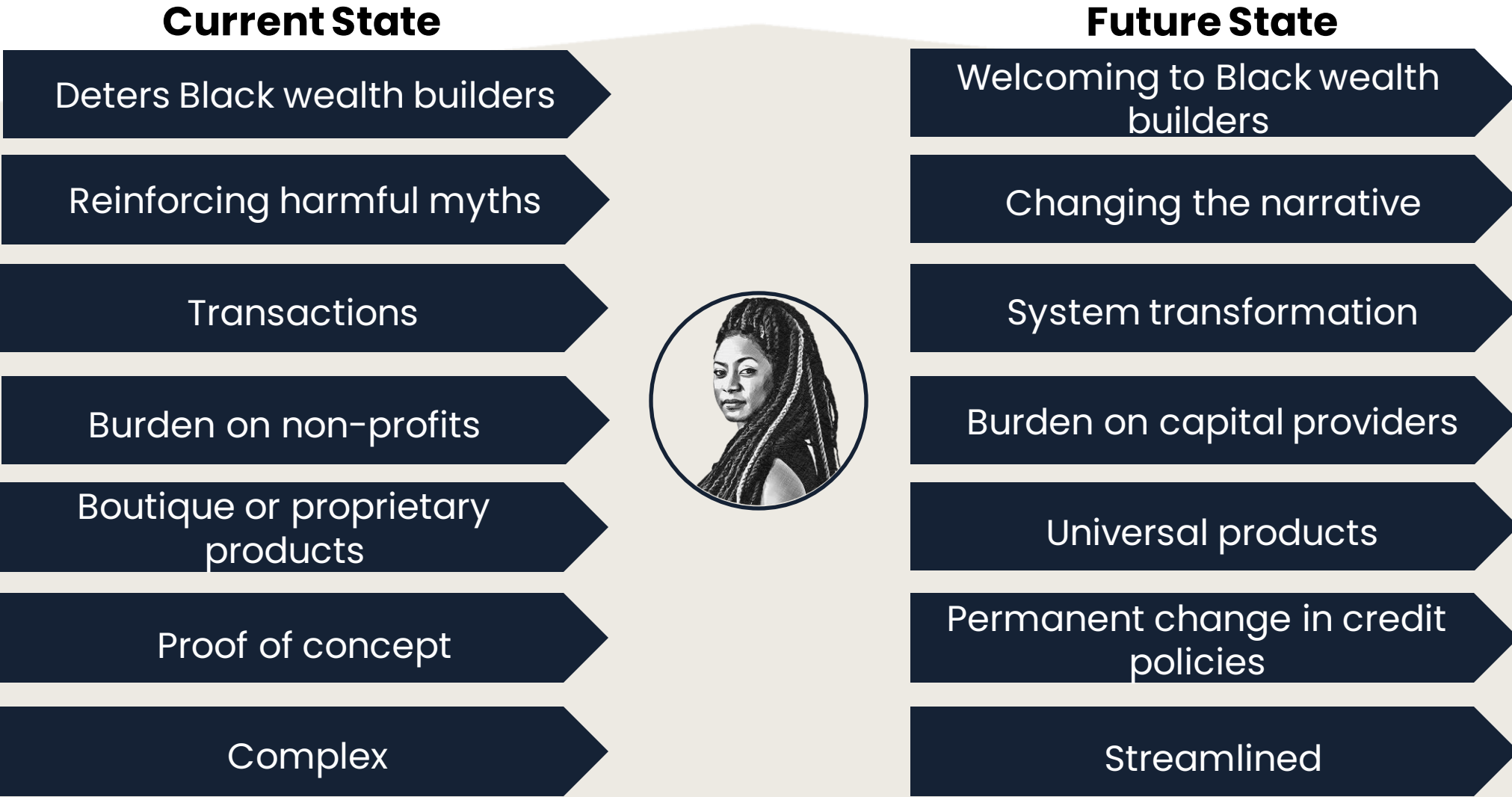
All the workgroup's prototypes (apart from Rental Housing) had the following qualities in common:

- 01.** A bridge toward permanent credit policy change by temporarily addressing perceived risk with credit enhancements and guarantees
- 02.** Blend lower-cost capital with the maximum amount of mainstream capital to achieve affordability



The paradigms prototypes aim to shift

Sustainable change will require a new way of being





BIPOC Entrepreneurship

How might we refine our capital prototypes to ensure long-term, sustainable, and equitable access to capital at scale?

Meeting Overview and Insights

Overview of our time together

On December 12th, the BIPOC entrepreneurship workgroup convened for its final meeting to provide feedback to draft capital prototypes developed by the workgroup subject matter experts.

As a warm-up, workgroup members identified their favorite BIPOC-owned businesses in Minnesota. Participants' choices ranged from restaurants like Afro Deli to businesses like the DREAMShop. A complete list of participant responses can be found in Appendix F.

Workgroup members were reminded of the purpose of the day—to refine draft capital prototypes—and presented the prototypes in detail before splitting into three breakout groups. In the breakout rooms, Imagine Deliver and workgroup subject matter experts led participants through a series of questions to capture their feedback, concern, and further areas of exploration on the prototypes. Each breakout group discussion focused on three prototypes:

- **Start-up Grants/Forgivable Loans:** A grant to duly formed business for inventory purchases, marketing/e-commerce platforms, and/or pay for staff and other start-up costs.
- **Early-Stage Debt for Business Stabilization:** A business loan from participating GroundBreak Coalition lenders for \$50,000 to \$250,000, with simplified underwriting, and an accompanying GBC loan guarantee.
- **Debt for Later-Stage Growth:** A business loan from GroundBreak Coalition participating lenders for \$250,000 to \$1,000,000 to accelerate the growth and expansion of BIPOC-owned businesses.

Workgroup members engaged in an 80-minute discussion focused on 6 questions about their room's capital prototype.

After their discussion, workgroup members reconvened with the larger group to share highlights from their breakout groups. In closing, workgroup members shared their view of the prototype's alignment with their work over the last several months and their confidence in implementing the prototype.



Start-up grant/forgivable loan prototype feedback

Workgroup members shared overall support for this prototype and expressed an interest in learning more about the administration of these grants and loans. Members identified a number of existing initiatives that align with this solution and were eager to see how it could fill current gaps in funding for new BIPOC entrepreneurs. The below table represents breakout room conversations around each discussion question. See pages 64-73 for Mentimeter results and pages 212-213 for capital prototype descriptions.

Prompt	Feedback Summary
Share your rapid feedback using the following prompts: I like, I wish, What if?, I wonder	Workgroup members shared their initial thoughts and reactions to the overall prototype. They generally liked the idea of having a common application for entrepreneurs to streamline the requesting of funding. Members wondered what entities providing technical assistance (TA) would need to meet the increase in demand for common application review and support for new entrepreneurs and who would be responsible for the administration of these funds. For TA providers, workgroup members wished that they would provide a specific criteria for a certification or approval rather than a letter of recommendation. Members also wondered if it would be possible for this program to protect or enhance an entrepreneur's credit score through the start-up process.
What existing efforts align with this prototype?	Existing efforts that align with this prototype involved a mix of general financial assistance programs such as the Minneapolis Commercial Property fund, temporary funding options like the COVID relief grant, and more financial assistance meant to serve a select demographic or community like the Lake Street Counsel and PFund Foundation's queer entrepreneurs of color funding. Other existing efforts include Local Initiatives Support Corporation (LISC) Entrepreneurs of Color, NEON Revolving Loan Fund, North Minneapolis Forgivable loans, InvestMPLS Fund—Minneapolis Foundation low-interest loan to intermediaries, and Central Corridor small forgivable loans during LRT construction.
Where do you think this prototype has the most opportunity for improvement?	Workgroup members imagine a clear process for how grants and loans would be awarded. Workgroup members wondered what may happen to entrepreneurs who do not meet the criteria to receive financial assistance but have a viable business idea. There was discussion surrounding the importance of business success evaluation on the front end to ensure the entrepreneur's goals, timeline, and expectations were realistic.



Start-up grant/forgivable loan prototype feedback cont.

Prompt	Feedback Summary
What equity gaps may exist within this prototype that need to be addressed?	Workgroup members want to ensure that this funding is available to as many BIPOC entrepreneurs as possible by being radically inclusive with both marketing and the key elements of the initiatives. Members encouraged the intentional inclusion of entrepreneurs exiting the criminal justice system, young entrepreneurs, and others with various intersectional identities. Workgroup members also envisioned materials and technical assistance available in multiple languages reaching a wide geographical area.
How can we ensure that this prototype is successful?	Overall, workgroup members believe this prototype will be successful if their equity considerations are addressed and there are clear processes for distributing grants and loans, marketing support, technical assistance capacity is addressed, and clarity on what next steps would be for entrepreneurs who do not initially meet grant or loan requirements.
What would it take for your organization to be an early adopter of this prototype?	Workgroup members were generally supportive of being early adopters of this prototype. They discussed a few necessary inputs that would provide them with the clarity they need to participate in the program successfully, which included a demonstrated commitment to scale, authentic stakeholder engagement, clear requirements and resources for BIPOC entrepreneurs, and executive buy-in.

In Their Own Words

Start-Up Grants/Forgivable Loans

"Need to have a conversation with the leadership and gain their commitment."

"I think that's where TA could really come in, partnering with on the ground organizations and infrastructure that already exists in the community."

"All hands-on deck approach for 'involvement & engagement' for various constituents. I.e., the Greater MSP."

"People recovering from the criminal justice system. What are their barriers to access?"

"What is the process for picking 'winners and losers' in a way that is 1) transparent 2) fast 3) meets strategic objectives."

"[We can] use social media and influencers to attract younger audiences. It can also perhaps create that trust as well as a communication strategy to a variety of audiences."

"Ensure racial, cultural, and linguistic diversity of TAs who can 'certify'; consider adding specific culturally-focused community organizations to be navigators and connect community members to TAs"

"Important to think about evaluation and what success looks like on the front end: what % of businesses are projected to succeed after 3-5 years; what is the impact for job creation, etc., to set realistic expectations for funders and the public."

"\$250 million is not going to solve all of the problems. But my hope is that from this process and having a holistic approach with both the capital solution and technical assistance, being able to help people move through these processes so that people don't fall through the gap the cracks."

Early-stage debt prototype feedback

Workgroup members shared their insights on this early-stage debt product and expressed an interest in getting feedback from more lenders on the specific terms of this prototype. The guarantee element, small lender capacity, and compatibility with the other two prototypes were some of the top discussion points surrounding this debt product. Members agreed that this product will be beneficial to new entrepreneurs and are seeking clarity around its feasibility by encouraging additional testing with lenders, especially when it comes to the guarantee terms. The below table represents breakout room conversations around each discussion question. See pages 73-82 for Mentimeter results and pages 214-215 for capital prototype descriptions.

Prompt	Feedback Summary
Share your rapid feedback using the following prompts: I like, I wish, What if?, I wonder	Workgroup members were asked to share their initial thoughts and reactions to the overall prototype. They generally liked the idea of having a guarantee, they believed it would be a good incentive to unlock initial funding from CDFIs, banks, and other lenders. Workgroup members wondered how this prototype might fit into existing funding infrastructure like the Small Business Association guarantee to further decrease lender risk. They also wondered if early-stage debt could be used to pay off other debt or if there should be specific criteria for what the funds can be used for. Other group members wished to know more about how widely this prototype could be deployed—was it just for BIPOC entrepreneurs in Minneapolis or could it be scaled to cover a wider geographic area?
What existing efforts align with this prototype?	Workgroup members identified four main entities and avenues with existing efforts that already have some alignment. The first was the Small Business Association's guarantee. Second, was Minnesota DEED's newly announced \$12.5 million start-up guarantee program. Third are the mission-driven CDFIs that are already doing some work to offer to fund BIPOC entrepreneurs. Lastly, workgroup members suggested GBC leverage other best practices or models that come from work done by foundations such as The Kresge Foundation and MEDA.
Where do you think this prototype has the most opportunity for improvement?	Workgroup members discussed a range of improvements and considerations for this prototype including testing the products to ensure proper term fit, proper fund allocation to assist in the business capacity, and how a lender can better leverage this product if they already have access to a strong guarantee program provided by the ecosystem's existing efforts.



Early-stage debt prototype feedback cont.

Prompt	Feedback Summary
What equity gaps may exist within this prototype that need to be addressed?	Workgroup members identified equity considerations for this early-stage debt prototype that are somewhat similar to the feedback about the start-up and forgivable loan prototype. They would like to know more about how information regarding the early-stage debt product will be communicated to BIPOC entrepreneurs. This marketing effort should be linguistically, culturally, and geographically inclusive. Members also agree that the loan should be uncollateralized to be more inclusive of BIPOC entrepreneurs without access to assets for collateral.
How can we ensure that this prototype is successful?	Workgroup members highlighted a few important considerations for the success of this prototype such as setting measurable goals for program outcomes, proper program documentation, program assessment, and education for lenders and CDFIs. Workgroup members also discussed the importance of this product working in tandem with the start-up and forgivable loan prototype in order to help BIPOC entrepreneurs get to a place where they would be ready for early-stage debt.
What would it take for your organization to be an early adopter of this prototype?	Workgroup members were generally ready to consider being early adopters of this prototype. They discussed a few necessary inputs that would provide them with the clarity they need to participate in the program successfully which included lender feedback and buy-in, explicit objectives, authentic stakeholder engagement, and consistent outreach to BIPOC-owned businesses to ensure the program is meeting the target audiences.



In Their Own Words

Early-Stage Debt

"I like the simplicity of a "Ground Break" guarantee for the community to take to banks, CDFI, other lenders."

"Would be great if a Black led organization was responsible for implementing the GBC guarantee program overall."

"Many BIPOC entrepreneurs still need equity/grants in order to test, learn, grow enough to be ready for debt or market-style venture capital."

"I wish the guarantee could be layered with other guarantees to lower the remaining capital requirements for lenders."

"There are initiatives outside of GBC to scale the capital available to BIPOC entrepreneurs through mission-driven CDFIs."

"Ensure explicit objectives (including change), stakeholder engagement, refine and adapt (market and need change over time), report back"

"I think by putting the guarantee in a first loss position and having it work at a pool level, it actually relieves a lot of the unprotected nature that the guarantee would otherwise provide... I think [this] allows the guarantee to go a long way versus the low level."

"In design / deployment, establish specific targeted outcomes (including systemic change), ensure stakeholder engagement, monitor and report back, adapt and refine as needed (both the market and need in the market changes over time)"

"Refine guaranty support and tie to products (including leveraging best practices), then preview with select representative CDFIs and financial institutions to refine / adapt based on (1) borrower need, and (2) need of lenders to support borrowers."

Late-stage debt prototype feedback

Workgroup members were highly engaged in the discussion about this prototype. They shared similar feedback about this late-stage debt product as they did for the early-state debt product such as concerns about if the guarantee offered was enough for lenders and the capacity for smaller lenders to offer this debt product to their clients. Workgroup members wonder if this late-stage product may be far down the line to be the most beneficial for BIPOC entrepreneurs, but they see the value of the product as an accompaniment to the other two prototypes. Overall, workgroup members agree that a tight network of lenders is going to be necessary to bring this prototype to life. The below table represents breakout room conversations around each discussion question. See pages 83-85 for Mentimeter results and pages 216-217 for capital prototype descriptions.

Prompt	Feedback Summary
Share your rapid feedback using the following prompts: I like, I wish, What if?, I wonder	Workgroup members shared their initial thoughts and reactions to the overall prototype. They generally liked the idea of long-term support to bolster business growth and sustainability as well as the guarantee to help get lenders' buy-in for these large loans. Some workgroup members wonder about the ability of non-bank lenders like CDFIs to provide loans of \$250k or more.
What existing efforts align with this prototype?	Workgroup members identified two main entities and avenues with existing efforts that already have some alignment with this prototype. The first is a CDFI Guarantee Program and a new program from Bell Bank to help support BIPOC entrepreneurs.
Where do you think this prototype has the most opportunity for improvement?	Workgroup members discussed a range of improvements and considerations, with the most energy around the guarantee element of this prototype. Members wondered if 25% would be enough to get buy-in from lenders. They suggested this prototype explore a "step-down" guarantee, where a higher percentage is offered up front to unlock the loan and the guarantee percentage would decrease over time. They also wondered if the guarantee element of both the early- and late-stage prototypes would push against the capacity limit for CDFIs and other small lenders, effectively hindering their ability to offer these benefits to their clients.



Late-stage debt prototype feedback cont.

Prompt	Feedback Summary
What equity gaps may exist within this prototype that need to be addressed?	Workgroup members identified a couple of equity considerations for this prototype. The first focused on the capacity limit of CDFIs or other small lenders to provide the growth debt products. If CDFIs and other small lenders are unable to provide these guarantees, the members also wonder if this support is too late for most BIPOC entrepreneurs but may be a powerful product in combination with the other two prototypes.
How can we ensure that this prototype is successful?	Workgroup members highlighted a few important considerations for the success of this prototype such as a need to identify the resources that lenders needed to get both early and late-stage debt programs up and running. Both for-profit and non-profit lenders will likely need to assess their internal capacity to ensure their staff is prepared to understand the intricacies of the program and provide a welcoming experience for clients. Non-profit lenders will likely need grant funding in order to provide training for their staff. Grant funding for training should not be viewed as programming dollars. Lastly, workgroup members identified the need for a closely aligned network of lenders administering both the early- and late-stage debt products to increase access for entrepreneurs.
What would it take for your organization to be an early adopter of this prototype?	Workgroup members were generally ready to consider being early adopters of this prototype. They discussed a few necessary inputs that would provide them with the clarity they need to participate in the program successfully, which included a clear process for how participating lenders can access the program and funding for participating organizations to stand the prototype up.



In Their Own Words

Late-Stage Debt

CDFIs are not the only player, but how does the CDFI fit into [this] prototype? Or, how do we prepare them to fit into this prototype?

"I wonder if 25% guarantee is adequate to unlock loans that are not currently getting approved."

"Bell Bank launched a debt program for BIPOC entrepreneurs, but it may be focused on venture backed companies."

"Defining how CDFIs need to apply to access to the program? Is it excessively time consuming?"

"I wonder if [this prototype] is too late stage to have a material impact on most Black entrepreneurs who are trying to grow a business."

"CDFIs [need grants] to build capacity to execute this program. If you start labeling it 'programming dollars', then it really limits some grant funding [CDFIs] can receive."

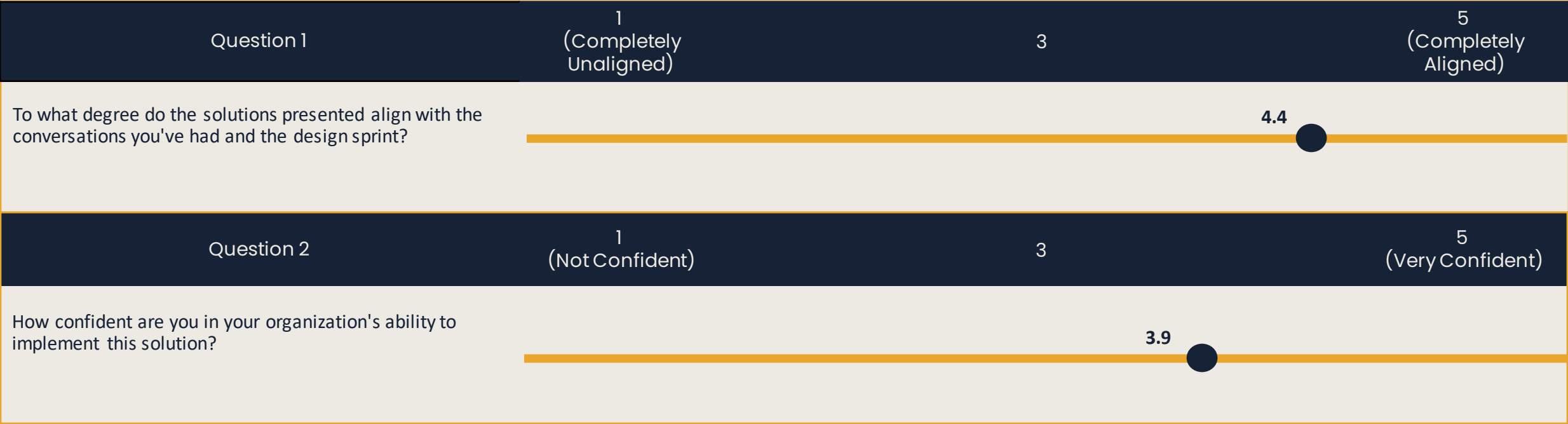
"I think more important than adopting [the late-stage prototype], it needs to be part of our organization's niche or mission. I think that if we're going to do this for the next 10 years, how do I ensure that what we come up with here is also aligned with our strategic initiatives moving forward?"

"In most guarantee programs that I'm familiar with, there's a fairly heavy lift of vetting your organization, your portfolio, and the quality of your work in order to be part of [the guarantee program]. Would some of the smaller CDFIs, who might be key from an equity standpoint, have the time and the staff available to shift to this potentially cumbersome vetting process to be able to access the guarantee?"

"For the other half of the banks or the CDFIs that don't have the capacity or the capabilities [to offer late-stage debt products], this might be their game changer or their go-to product. So, it's kind of a double, a double win. It adds to the resources or the toolbox of the people who are already doing it. It might be the only tool for a good majority of the community."

Workgroup members global perspective of prototypes

At the end of the session, workgroup members rated the prototypes' alignment with their expectations and their confidence in their organization's ability to implement them. Below represents the median response (n=17):





Commercial Development

How might we refine our prototype to increase the flow of capital to Black developers at scale?

Meeting Overview and Insights

Overview of our time together

On December 12th, the commercial development workgroup convened for their final meeting to provide feedback to draft capital prototypes developed by the workgroup subject matter experts.

As a warm-up, workgroup members identified their favorite BIPOC-owned business in Minnesota. Participants' choices ranged from restaurants like Soul Bowl to businesses like the Coven. A complete list of participant responses can be found in Appendix F.

Workgroup members were reminded of the purpose of the day—to refine draft capital prototypes—and presented the prototypes in detail before splitting into three breakout groups. In the breakout rooms, Imagine Deliver and workgroup subject matter experts led participants through a series of questions to capture their feedback, concern, and further areas of exploration on the prototypes. Each breakout group discussion focused on two primary components of the prototype:

- **Senior debt:** A loan that would be provided by partner financial institutions for 60% of the cost of development and backed by a 10% guarantee
- **Junior debt:** A loan pool that would be funded by investors in an evergreen fund. The purpose of the junior debt is to reduce the uncertainty of securing full financing and providing the flexibility to stabilize over 10 years.

Workgroup members engaged in a 60-minute discussion focused on 12 questions across both prototype components.

After their discussion, workgroup members reconvened with the larger group to share highlights from their breakout groups. In closing, workgroup members shared their view of the prototype's alignment with their work over the last several months and their confidence in implementing the prototype.



Senior debt prototype feedback

Workgroup members were highly engaged with this prototype. One of the main topics of discussion was the likelihood of full funder commitment to the senior debt products with the terms that are currently outlined. Members did not feel like the guarantee would be enough for the lenders and wanted clarity on what lenders should do if a project fails. Workgroup members believe that lenders will want a streamlined process for deals, but getting that process established would be difficult. Members also suggested that this prototype undergo more testing to ensure 95% financing is possible with the current terms. The below table represents breakout room conversations around each discussion question. See pages 87-103 and 108-109 for Mentimeter results and pages 219-222 for capital prototype descriptions.

Prompt	Feedback Summary
Share your rapid feedback using the following prompts: I like, I wish, What if?, I wonder	Workgroup members shared their initial thoughts and reactions to the overall prototype. They generally liked the idea of a longer period for stabilization for the developer, and the ability to matchmake with various tenants. Workgroup members wondered if there would be a common application for all lenders and if there was a way to "reward" developers that make a commitment to equitable development projects.
What existing efforts align with this prototype?	Workgroup members identified current existing efforts that align with this prototype which involved a mix of state-level initiatives like DEED Main Street, and more local efforts like the Hennepin County Community Investment initiative. Workgroup members seek to understand how this prototype might unlock additional capital to cover gaps in existing programming as well as identifying overlap opportunities for developers that can access funds earmarked for entrepreneurs.
What racial equity components or justice components does this solution miss?	Workgroup members identified a few racial equity and justice components this prototype should address for Black developers. Members talked about how common it is for developers to create projects that positively impact their local communities. When they considered the macroeconomic factors as well as the income of the prospective tenants in the area, developers are having a difficult time charging close to market rate for rent. Workgroup members also discussed the historical harm of redlining and the environmental impact of close proximity to industrial yards, railroads, and other pollution-heavy sites. They highlighted these points as considerations that will increase the cost of development to remedy environmental harm. Lastly, members also asked for more clarity around legal considerations for race-focused capital initiatives.



Senior debt prototype feedback cont.

Prompt	Feedback Summary
What do you think are the most important challenges for bringing this solution to market?	Workgroup members identified a wide range of challenges associated with bringing this prototype to market, many of them revolving around getting commitments from funders with the current terms as outlined. Members didn't think funders would believe a 10% guarantee will be enough. Funders will likely want full guarantees or loan loss reserve. The 5-year stabilization period was also a term that workgroup members would like revisited in the prototype refinement period for both senior and junior debt. This stabilization period may be seen as prohibitive for funder commitment. Members also identified that there would need to be a standardized process for both borrowers and lenders to minimize time and money on the administration of the prototype. These deals are too skinny for 95% debt coverage, their profit margins are too thin for their below-market rents, the deals wouldn't leave the financial cushion necessary for tough income periods, and there's a concern we may be setting up these businesses for failure with the structure of these deals.
What do you think are the most important challenges to this solution's sustainability in the market?	Workgroup members shared that the terms of the final agreement are going to be key to getting long-term commitment from lenders. Having a faster turnaround time for applications would also be helpful to give lenders greater capacity if the program administration was a sticking point for them. Members offered suggestions for how to speed up the approval process like having a "Debt Service Reserve to make Senior Debt approval faster and more uniform."
What would it take for your organization to be an early adopter of this prototype?	Workgroup members generally needed more clarity before they would consider being early adopters of this prototype. They discussed a few necessary inputs that would provide them with the clarity they need to participate in the program successfully, which included more information about the flexibility of enhancement percentages, testing to ensure the sustainability of this product over time, and clear terms up front for all stakeholders involved.



In Their Own Words

Senior Debt

"Strong support for the developers to address issues that develop early and effectively."

"For where these projects are located, developers just can't charge the rents they need to be able to really cash flow and service debt and build wealth."

"Banks are going to hate a 5-year stabilization point. A 2-3 year point is best you'll get. Don't see 10% enhancement accommodating that point."

"Need multiple institutions participating in capital product so if one says "no", it can't kill a deal."

"What are the selection criteria for borrowers? Is there a legal framework needed to target/prioritize funds to black/BIPOC developers?"

"Landing on a set of terms that works so that all actors in the process know what to expect and everyone has reasonable certainty of what they are entering into."

"Other programs we often refer to for alignment with LISC Community Asset Transition (CAT) Fund: Commercial Property Development Fund, Hennepin County Community Investment Initiative, DEED Main Street, Triple R."

"Revenue Bond issued for \$50-\$100M bond. GBC partners create credit enhancement pool. Carve bond source for multiple \$2M deals- like Sunrise small business NMTC's"

"We have to think well outside the box and, and one of the boxes is what Sunrise has done with the small loan, new market tax credit. You, you've taken a project or a program that is typically for 10 and 12 and 15 million and carved it up into 2 million increments."

Junior debt prototype feedback

Workgroup members were overall positive about this prototype and expressed a need for clarity around a few of the specific terms involved with the administration of the key elements. Members liked the idea of the evergreen fund and thought the flexibility it provided was an essential element. Work group members wanted to know who would administer the funds and suggested that it be one central entity for the sake of standardizing the whole process. The below table represents breakout room conversations around each discussion question. See pages 104-107 and 110-116 for Mentimeter results and pages 219-222 for capital prototype descriptions.

Prompt	Feedback Summary
Share your rapid feedback using the following prompts: I like, I wish, What if?, I wonder	Workgroup members shared their initial thoughts and reactions to the overall prototype. They generally liked the idea of below-market interest rates and the "clearinghouse framework" for developers. Workgroup members wondered about the specifics of the interest rates for borrowers, how the evergreen fund will be market rate for investors, and how the other products in this prototype may cover cash flow gaps that the junior debt product can't support on its own.
What existing efforts align with this prototype?	Workgroup members identified current existing efforts that align with this prototype, which involved a mix of general financial support such as the commercial property development fund and more targeted funding opportunities like NEON's Revolving Loan Fund.
What racial equity components or justice components does this solution miss?	Workgroup members identified racial equity and justice components that need to be considered within this prototype as being similar to considerations for the senior development prototype. Increased cost of development to remedy environmental harm magnified by policies like redlining was a concern for members. Workgroup members wanted clarity about the legal implications that come with race-focused initiatives as well as clarity about considerations for Black Muslims who are prohibited from paying interest according to Sharia.

Junior debt prototype feedback cont.

Prompt	Feedback Summary
What do you think are the most important challenges for bringing this solution to market?	Workgroup members identified challenges associated with bringing this prototype to market as being somewhat similar to the challenges for bringing the senior debt product to market. The first major hurdle will be getting enough funders to the table with the loan terms currently outlined. Members discussed how difficult it could be to get a wide range of funders to agree on a number that will work well for all major stakeholders. The 5-year stabilization period was also a term that members felt should be discussed while refining the junior debt refinement process. This stabilization period may be seen as prohibitive for funder commitment.
What do you think are the most important challenges to this solution's sustainability in the market?	Workgroup members identified a few different challenges associated with the sustainability of this prototype in the market. Members believed that a systematic approach to the process that includes templates for forms, underwritings, etc. If the process is predictable, it helps funders with long-term sustainability. Workgroup members want clarity around how projects are selected for funding and why. Another major challenge elevated was developing a streamlined application process that cuts down on administrative time and cost associated with accessing this funding for developers.
What would it take for your organization to be an early adopter of this prototype?	Workgroup members generally needed more clarity before they would consider being early adopters of this prototype. They discussed a few necessary inputs that would provide them with the clarity they need to participate in the program successfully, which included understanding the underwriting process, having a clear picture of who will be at the table for the investment committee, and what the next steps are post-default.



In Their Own Words

Junior Debt

"I like the clearing house idea. However, that idea is complicated for funders."

"I wonder how the interest rate to borrower will be 2-7% (perhaps under market rate) and the return from the Evergreen Fund would be market rate to investors?"

"I wonder what happens if the project has a cash flow gap that can't support the jr. Debt."

"Revolving Loan Fund at NEON providing gap financing and pre-development costs." - Existing Program Alignment

"The Muslim community which is prohibited from paying interests." - Equity Consideration

"[We need an] understanding of what 'happens' when there's a default."

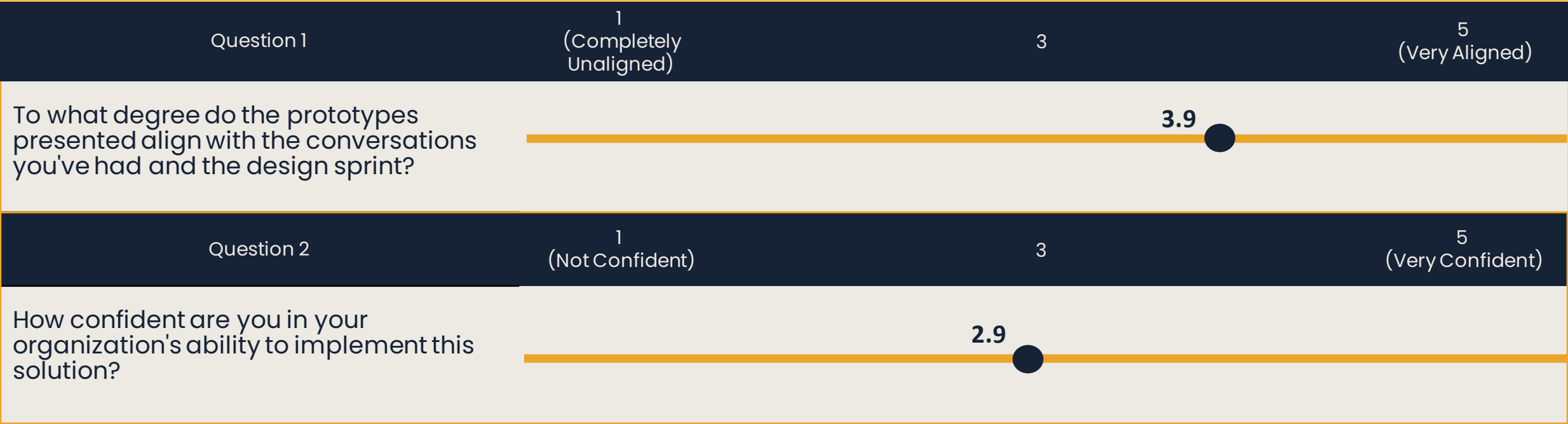
"An equitable decision-making process for who gets the funding."

"More clear understanding of the underwriting process."

"Making sure that if we're going to have some support structures that help bring new developers into the field, that those are sustainably funded in a way that those support pipelines can get to the point of having projects ready to seek funding."

Commercial Development Workgroup Responses

At the end of the session, workgroup members were asked to rate the prototypes' alignment with their expectations and their confidence in their organization's ability to implement them. Below represents the median response (n=14):





Rental Housing

How might we refine our capital pathways to build wealth for Black renters through rental housing in a way that will endure?

Meeting Overview and Insights

Overview of our time together

On December 13th, the rental housing workgroup convened for its final meeting to provide feedback to draft capital solutions developed by the workgroup subject matter experts.

As a warm-up, workgroup members identified their favorite BIPOC-owned business in Minnesota. Participants choices included restaurants like Afro Deli to businesses such as MN Black Box. A complete list of participant responses can be found in Appendix F.

Workgroup members were reminded of the purpose of the day—to refine draft capital prototypes—and presented the prototypes in detail before splitting into three breakout groups. In the breakout rooms, Imagine Deliver and workgroup subject matter experts led participants through a series of questions to capture their feedback, concern, and further areas of exploration on the capital prototypes. Each breakout group discussion focused on three solutions based on two pathways:

- Maximizing production of affordable rental housing through the existing system
- Directly support wealth building for Black renter households

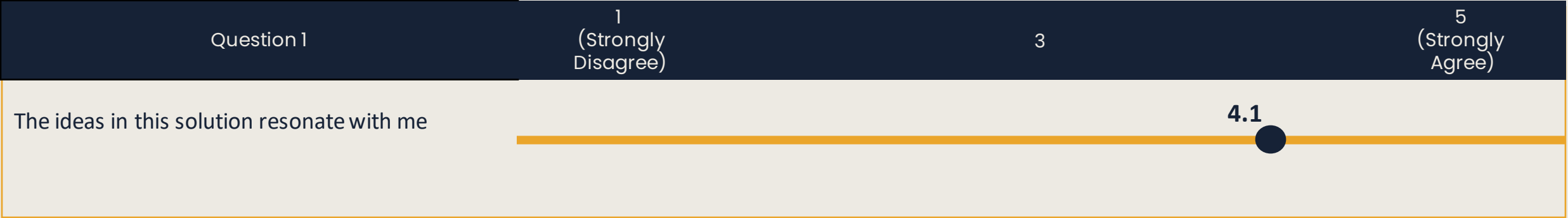
Workgroup members had a 70-minute discussion focused on 5 questions about each capital solution.

After their discussion, workgroup members reconvened with the larger group to share highlights from their breakout groups. In closing, workgroup members shared their view of the prototypes' alignment with their work over the last several months and their confidence in implementing the prototype.



Rental Housing Workgroup Responses

At the beginning of the breakout room discussion for Solution 1, "Streamlining of the affordable housing development process and the flow of funds," workgroup members were asked to rate how well the ideas in the solution resonated with them. The results below represent members' alignment for the first solution (n=21):



Solution 1 prototype feedback

Workgroup members generally agreed that streamlining the affordable housing development process is important and has the potential to be beneficial for both Black renters and developers. A shorter and more straightforward process would help get funds to developers for increased inventory. Workgroup members expressed some hesitancy about the feasibility of this capital solution. This hesitancy stemmed from an understanding that past efforts to streamline this process have fallen through for various reasons, one of which is differing requirements for renters and developers across programs. The below table represents breakout room conversations around each discussion question. See pages 118-122, 128-134, and 147-151 for Mentimeter results and page 224 for capital solution descriptions.

Question	Feedback Summary
Would you rate this solution as more transformational or transactional (or somewhere in between)?	Workgroup members were split between this streamlining solution being more transformational or transactional. They shared that this solution isn't necessarily a new idea and that streamlining the affordable housing development process would be difficult given all of the systems involved. However, workgroup members agreed this solution would have the potential to be incredibly transformational if it were successfully implemented.
What work is already happening on this solution, if any?	Workgroup members identified two main entities and avenues with existing efforts that already have some alignment, including the City of Minneapolis, which has created new programs, and Local Initiatives Support Corporation (LISC) Community Asset Transition (CAT) Fund, with its patient as interim financing.



Solution 1 prototype feedback cont.

Question	Feedback Summary
Would you prioritize this solution as short- or long-term? Why?	Workgroup members believed this solution should be prioritized in both the short and long term. In the short term, it would be something some members consider "low-hanging fruit" because it is a change many vital stakeholders already want to see. In the long term, workgroup members outline the continuing effort this solution will require to change the complex regulatory conditions that contributed to the fractured process in the first place.
Do you have energy for, or interest in working on this solution in 2023? If so, please share your name and how would you want to be involved?	<p>Many workgroup members are interested in working on streamlining the affordable housing development process into 2023. Those who have raised their hands to participate are listed below:</p> <p>Kate Kelly (PNC), Erica Bergsland (Securian), Dr. Eric Anthony Johnson (Aeon), Jules Atangana (City of St. Paul), Nawal Noor (Noor Companies), Lauren Gilchrist (Children's MN), Rachel Robinson (MN Housing), Kizzy Dowie (Model Cities), Mary Tingerthal (independent consultant), Tim Marx (independent consultant), A Project for Pride in Living (PPL) representative</p>



In Their Own Words

Solution 1

"Transactional. Improving the existing system but not necessarily transforming it."

"This is transformational. However, I can see how complex this would be given the multiple funding sources, each with their own compliance requirements."

"NOAH Funds - there are local and national examples - all rely on blending very low-cost and private capital bring equity to developments ~60% AMI"

"Minneapolis has created new programs that are lighter-touch and have faster timelines, to expand preservation and production capacity beyond existing rental \$ programs (ex. NOAH, 4d)."

"Both short and long-term [priority]. Let's focus on some low hanging fruit; and identify longer-term issues."

"Would love to say short term, particularly as it relates to major infusion of capital. Long term, given likely challenges of implementation."

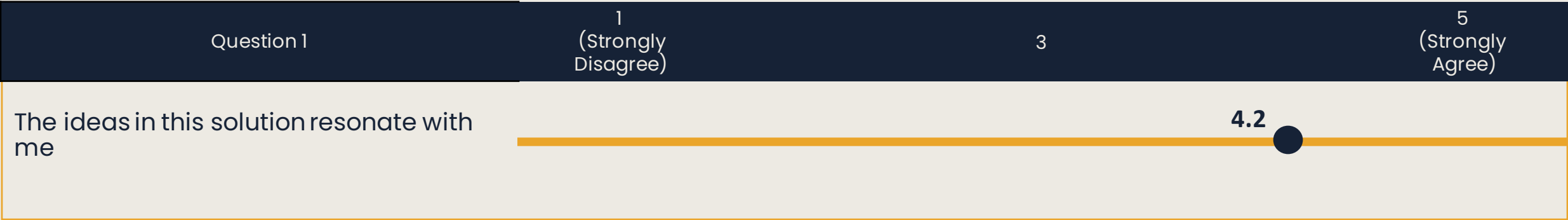
"Long term. Not possible to make major regulatory reform without a major united effort."

"I think streamlining is certainly one of the most important things that we really need to figure out how to do because our public dollars are the most flexible dollars we have to be able to produce more affordable housing."

Part of the issue is that many sources try to coordinate many applications with different due dates. I don't know how we got here and how we get back from where we are now.

Rental Housing Workgroup Responses

At the beginning of the breakout room discussion for Solution 2 , "Maximizing the use of state, county, city bonding authority and tax credits by unlocking low-cost, patient capital (10+ years, 0-3%) at scale," workgroup members were asked to rate how well the ideas in the solution resonated with them. The results below represent members' alignment for the second solution (n=22):



Solution 2 Prototype Feedback

Workgroup members agreed that more low-cost capital for the rental housing ecosystem would be beneficial. Members needed more clarity on how all of these entities with varying requirements and complex administration will work together toward one collective solution. Some workgroup members believe that this solution may be more difficult for large capital funders to engage with than smaller capital funders. Overall, there is broad support for, and excitement around, the development of this capital solution. The below table represents breakout room conversations around each discussion question. See pages 123, 135-141, and 152-156 for Mentimeter results and page 224 for capital solution descriptions.

Question	Feedback Summary
Would you rate this solution as more transformational or transactional (or somewhere in between)?	Workgroup members were split on how to categorize this solution, but they generally agreed that it was both transactional and transformational. Some workgroup members leaned toward this solution being more transformational considering the ultimate outcome for the rental market if the solution is successful. Some workgroup members acknowledge that this solution has the potential to seem transactional because of the need to exchange capital. Capital from these various entities is necessary to unlock development projects geared toward affordability for renters. Members who feel that this solution is more transactional tended to see this solution as more of a means to an end, with the end goal of accessing more capital for development.
What work is already happening on this solution, if any?	Workgroup members weren't aware of many existing efforts surrounding this solution that are functioning at the scale GBC will need to transform the landscape for Black renters in Minnesota. A few of the smaller-scale efforts they identified were private funding initiatives and Homes for All.



Solution 2 Prototype Feedback cont.

Question	Feedback Summary
Would you prioritize this solution as short- or long-term? Why?	Most workgroup members identified this solution as a short-term priority. They believed there is already a lot of energy around this effort and that this is a necessary process to unlock much-needed capital for affordable housing. The workgroup members understand this solution requires a massive collective effort from the state, county, and city levels with a coordinated system to keep the administrative process of this solution on track.
Do you have energy for, or interest in working on this solution in 2023? If so, please share your name and how would you want to be involved?	<p>Many workgroup members are interested in working on maximizing the use of various stakeholders to unlock patient capital into 2023. Those who have raised their hands to participate are listed below:</p> <p>Andy McMahon (United Healthcare), Dr. Eric Anthony Johnson (Aeon), A representative from PNC, Amy Geisler (City of Minneapolis), Jules Atangana (City of St. Paul), Paul Williams and another representative from Project for Pride in Living (PPL), Mary Tingerthal (independent consultant), Tim Marx (independent consultant)</p>



In Their Own Words

Solution 2

"Somewhere in between [transactional and transformational] - using the tools already available and in place but pushing for more participation and outcomes"

"CBC is private fundraising to fill 4% gaps and working with willing cities."

"Homes for All and 200 advocates are working on increasing bonding dollars every year. This is achieving \$100M per year funding from the state."

"Short term with the current unified government for the next 4 years, longer term given this is an annual battle or effort needing sustained energy over time (decades)."

"Long term legislative authorization and political will (and unified government?) needed."

"Both [short- and long-term] - but unless short-term is big and bold there won't be a long-term."

"Transformational if funds can be dedicated to attracting private capital at lower cost. We need a powerful statement for the government to say to the private sector that its worth their time to invest."

"Both. A capital source like this is critical to making deeply affordable projects happen, so it is transactional, but it doesn't exist today, so getting it would be transformational"

"San Francisco community foundation has created a pooled Donor Advised Fund that provides this type of capital, primarily for Small NOAH projects."

Rental Housing Workgroup Responses

At the beginning of the breakout room discussion for Solution 6 , "Innovations to model how affordable rental housing can be harnessed to build wealth for households living there: Matched savings/renter equity fund, renters building equity over time through rent payments," workgroup members were asked to rate how well the ideas in the solution resonated with them. The results below represent members' alignment for the sixth solution (n=18):



Solution 6 prototype feedback

Workgroup members shared overall support for the capital solution concepts and eagerness to create clarity on how the solutions will come to life as each solution currently relies on heavily regulated actors and limited input from private capital. There was also interest in exploring capital solutions outside of the ones outlined in the meeting that would solve the unique pain points of Black developers building affordable housing and increasing the inventory of affordable housing units for large families. The below table represents breakout room conversations around each discussion question. See pages 124-127, 142-146, and 157-161 for Mentimeter results and page 224 for capital prototype descriptions.

Question	Feedback Summary
Would you rate this solution as more transformational or transactional (or somewhere in between)?	Workgroup members agree that this solution was overall transformational for Black renters. They like the fact that this innovative model will specifically open wealth-building opportunities for renters in a way that was previously unattainable. Workgroup members would like to understand how the wealth generated for Black renters would compare to the wealth-building opportunity that homeowners have access to. They believe that this concern would be addressed appropriately with more clarity.
What work is already happening on this solution, if any?	Workgroup members have identified a few initiatives that already align with this solution. They vary in scale from Enterprise Model, which is a national initiative, to more local initiatives like Minneapolis' and St. Paul's universal basic income pilots. Workgroup members would also like to call attention to the existing efforts around credit reporting for rent payments.



Solution 6 prototype feedback cont.

Question	Feedback Summary
Would you prioritize this solution as short- or long-term? Why?	Workgroup members have identified this initiative as both a short- and long-term priority. Members have expressed interest in testing this solution on a small scale in the short term while planning for a larger-scale rollout in the longer term.
Do you have energy for, or interest in working on this solution in 2023? If so, please share your name and how would you want to be involved?	<p>Many workgroup members are interested in working on innovative models to build wealth for Black renters into 2023. Those who have raised their hands to participate are listed below:</p> <p>Dr. Eric Anthony Johnson, Jules Atangana (City of St. Paul), a representative from Model Cities, a representative from Local Initiatives Support Corporation (LISC), a suggestion to reach out to a representative from the Family Housing Fund, a suggestion to reach out to a representative from the Citizen's Budget Commission (CBC).</p>



In Their Own Words

Solution 6

"[We] should look at the work being done by Fannie and Freddie on their Equitable Housing Finance Plans."

"Maybe there be something like a benefit for folks who stay in a property for a long time. You're vested and you get this much [money], and then as that grows, that can be your own emergency fund if you need to get your car fixed or you can't pay rent."

"More private capital can get good, decent places at 60% AMI affordability level... I would love to figure out how you leverage the creation of [a fund] to get more [money] for rental subsidies and more funds [directly] the households."

"This puts agency in the hands of renters, this prototype would make affordability visible for them and I'm really interested in what this could look like."

"A few people from the Itaska Group were dabbling in the question of, 'how do you make rental history applicable to homeownership underwriting?' I really like that concept, and I think there's something to that idea that could work here."

"Maybe there's an angle to get conservation needs easements on property that you choose not to develop. Maybe there's a tax credit program for these 'mom and pop' building owners that would incentivize them to preserve that [affordable rental] property."

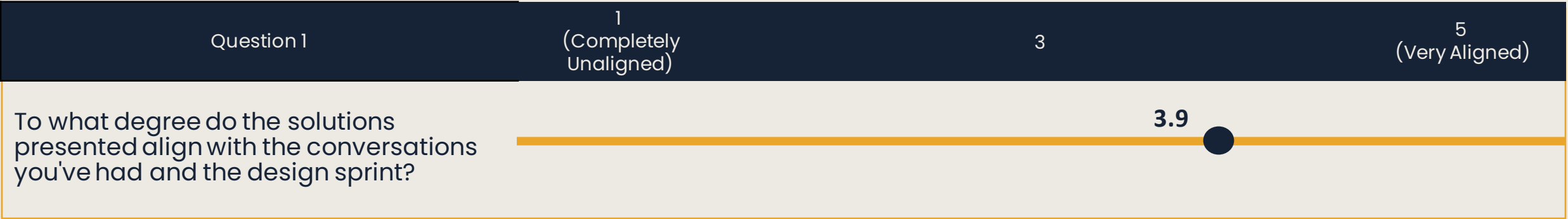
"Supportive housing is greatly needed and it's incredibly lacking. That's where the 30% AMI should go. We need to create supportive housing that is specific and not necessarily included in the existing system. It's really hard to address the needs of people who need supportive housing... It's really hard to do that when you're combining it with affordable housing that also addresses the family's needs."

"We need to have somewhere where the pressure comes off to address the 60% to 80% to 50% AMI from private capital. I think that is a possibility and I really want to figure out how we can explore that. Not just a hundred million foundations, but a fund that is regenerative, sustainable, and can be addressed by more than just one developer."

"The 4D program requires a public agency to give at least a little bit of money. We give them \$100 a unit, they agree to 10-year affordability restrictions, then they're eligible for that reduced property tax. We have enrolled 2000 units in the city. That's something that we really have been excited about."

Rental Housing Workgroup Responses

At the end of the session, workgroup members were asked to rate the solutions' alignment with their expectations and their confidence in their organization's ability to implement them. These were the results (n=15):





Homeownership

How might we refine our prototypes to increase homeownership for Black homebuyers to close the equity gap?

Meeting Overview and Insights

Overview of our time together

On December 14th, the homeownership workgroup convened for its final meeting to provide feedback to draft capital prototypes developed by the workgroup subject matter experts.

As a warm-up, workgroup members identified their favorite BIPOC-owned business in Minnesota. Participants' choices ranged from restaurants like Pimento Jamaican Kitchen to businesses such as Brookside Barbers. A complete list of participant responses can be found in Appendix F.

Workgroup members were reminded of the purpose of the day—to refine draft capital prototypes—and presented the prototypes in detail before splitting into three breakout groups. In the breakout rooms, Imagine Deliver and workgroup subject matter experts led participants through a series of questions to capture their feedback, concerns, and further areas of exploration on the capital prototypes. Each breakout group discussion focused on all three capital prototypes:

- **First Mortgage:** A bank loan to purchase a home that is secured by the loan.
- **Homebuyer Financial Assistance:** A forgivable and repayable loan that enables homebuyers to secure the first mortgage, afford monthly payments, and build wealth.
- **Homeownership Preservation Fund:** Forgivable loans that enable existing homeowners to preserve their asset in an emergency or extenuating circumstances.

Workgroup members had an 80-minute discussion focused on 13 questions across all three capital prototypes.

After their discussion, workgroup members reconvened with the larger group to share highlights from their breakout groups. In closing, workgroup members shared their view of the prototype's alignment with their work over the last several months and their confidence in implementing the prototype.



First Mortgage prototype feedback

Workgroup members shared overall support for a lot of elements in this prototype. Workgroup members suggested that the prototype expand its reach to mortgage lenders generally instead of focusing on just banks. For the credit score eligibility criteria, some members expressed differing opinions on whether 600 was too low or if the prototype should focus on alternative factors to evaluate creditworthiness like on-time rent payments. Workgroup members called for clarity on this prototype's specific terms and the data that went into developing them. Members highlighted a number of equity considerations such as how the prototype will define "Black households," being specific with language to be inclusive of divorcees, those with student loan debt, etc. The below table represents breakout room conversations around each discussion question. See pages 163-176, and 190-203 for Mentimeter results and pages 226-228 for capital prototype descriptions.

Question	Feedback Summary
Share your rapid feedback using the following prompts: I like, I wish, What if?, I wonder	Workgroup members liked to see that this product was specifically built to benefit prospective Black homeowners rather than using more ambiguous qualifiers like census tract, income, or credit score. Workgroup members wondered how this program would be framed to get buy-in from the secondary market. They also wondered how "Black households" would be defined for the product's eligibility requirements.
What excites you about this prototype?	Workgroup members were the most excited about the race targeted nature of this prototype. They also expressed excitement seeing that this product leveraged current infrastructure in a new way, allowed for program standardization across participating lenders, and includes flexible manual underwriting.
What concerns you about this prototype?	Workgroup members across all the breakout rooms shared similar concerns for this prototype. They wished for a credit score alternative for Black homebuyers with no or lower credit scores to broaden the reach of this prototype. Additionally, workgroup members were concerned that without proper administration of the program, the mortgage process would return to "business as usual." They underscored the importance of establishing success metrics and performing program evaluations.



First Mortgage prototype feedback cont.

Question	Feedback Summary
What part of this prototype will your organization have the hardest time getting behind?	Workgroup members were optimistic about this prototype. Their main concerns generally revolved around whether this was going to solve the underlying systemic issues embedded within mortgage requirements. There was also concern about whether lenders would be able to meet demand given all their requirements and limited internal capacity. In terms of capacity, a couple of workgroup members wondered if their organization would have the ability to implement elements like manual underwriting at scale.
What non-capital issues should this prototype consider?	Workgroup members wondered about non-capital supports this prototype would need for the rollout to be successful such as a comprehensive outreach to eligible populations, pre- and post- purchase education for buyers, and data collection and reporting for program evaluation purposes.
What equity gaps may exist within the solution that need to be addressed?	Workgroup members across all breakout rooms identified similar equity gaps within this prototype. Some of the workgroup members were curious about the process in which this program would be shared. They voiced a need to know more about how outreach would work, if Black families who were denied in the past would come back and how participation would be encouraged, individual vs. household income, debt-to-income ratio, as well as the use of credit scores as an eligibility requirement. Lastly, workgroup members urged this prototype to ensure that the language used to describe product eligibility doesn't exclude or penalize individuals such as divorcees, those with student loan debt, and those who owe child support or back taxes.



In Their Own Words

First Mortgage

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"I like that they are race-specific and not just using income as a proxy for race."

"I wonder if we need some kind of a loan guarantee for the secondary market. It's not clear how lenders interests are covered without that."

"It is a special purpose credit program designed to meet an unmet needs through flexible underwriting."

"In addition to credit scores, we need an alternative credit path (so if someone has a credit score below minimum, we pay attention to recent rental payment over the most recent year or two)"

"Accountability and measuring success, troubleshooting obstacles along the way. Who is holding this?"

"Systemic biases associated with the current criteria that haven't been addressed by this work (think Fed analysis of approval disparities)"

"If this first mortgage program is limited to lenders who are able to portfolio these loans and meet all of the underlying requirements and then need to opt-in - group will likely be small."

"Education post-purchase BUT this is an issue already for anyone and everyone and especially Black people, regardless of income or credit." - Non-capital Consideration

"Consider how to add originators (CDFIs governments) if the banks hit their balance sheet or CRA cap."

"Access! What to do if we don't succeed in creating 'no wrong door'."

"Issue of loan denials - data show Black households denied stop shopping for other loans, stop their journey."

"Lenders providing this program that do not represent the community served." - Equity Consideration

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Homeownership Financial Assistance prototype feedback

Workgroup members shared overall support for this homeownership financial assistance prototype. They liked that the funding was flexible, though they suggested that increasing the AMI to above 100% would be more inclusive. Members acknowledge that there is still a gap between home prices and mortgage affordability that this assistance may not address in its current state. An expansion of the AMI requirement for assistance may help bridge that gap. The below table represents breakout room conversations around each discussion question. See pages 177-188 and 204-208 for Mentimeter results and pages 226-228 for capital prototype descriptions.

Question	Feedback Summary
Share your rapid feedback using the following prompts: I like, I wish, What if?, I wonder	Workgroup members liked the fact that this financial assistance offered up to 20% of the purchase price of a home as down payment assistance. They also liked that this product was able to be layered on top of additional assistance as needed and that it was flexible. Workgroup members wondered why some specific numbers were chosen such as the 50k cap and 50% repayable. Workgroup members also wondered about the administration of the funds. They're interested in knowing more about distributor capacity and the prospective Black homebuyers' experience accessing the funds.
What excites you about this prototype?	Workgroup members were the most excited about this product being flexible, forgivable, and able to be layered with other types of financial assistance. They believe that this product can help build generational wealth because it offers instant equity to prospective homebuyers because they have fewer barriers to purchasing the home as well as a lower debt-to-income ratio with the flexible 50k funding.
What concerns you about this prototype?	Workgroup members across the breakout rooms shared similar concerns about this prototype. Some members are concerned that the assistance is only 50% forgivable, but they also wonder where the capital for these funds would be coming from. Workgroup members also voiced their concerns that the allotted assistance may not be enough to get families into a home that fits their needs based on what they qualify for.



Homeownership Financial Assistance prototype feedback cont.

Question	Feedback Summary
What part of this prototype will your organization have the hardest time getting behind?	Workgroup members generally agree that one of the hardest parts of this prototype to get behind would be the repayable portion of the financial assistance. Some members envision 100% forgiveness rather than 50% and would like to highlight avenues for the financier to be nefit financially in a way that doesn't rely on the repayable portion of the financial assistance.
What non-capital issues should this prototype consider?	Workgroup members only had a few non-capital concerns about this prototype. Among the most common are financial institutions committed to providing this capital, education for both the financier and prospective homebuyer, and the ability to use current, disaggregated data to understand the foundational needs of Black prospective homebuyers.
What equity gaps may exist within the solution that need to be addressed?	Workgroup members highlighted a few equity considerations for this prototype, including what legal work would need to be done to make this prototype explicitly benefit Black families and how institutions will bridge the gap between what a Black prospective homebuyer is qualified for and current home prices.



In Their Own Words

Homeownership Financial Assistance

"I like the financial assistance prototype. I wonder who will administer the funds, will there be enough capacity to handle them and how administratively difficult will it be to obtain?"

"I like up to 20% down; layering; forgivable component; used as needed (flexibility)."

"I wonder why the \$50k cap with target incomes being so low."

"Why do investors need this back? You earn profit on the mortgage side!!"

"Assistance capped at \$50,000. Why not higher if available?"

"The assistance is not enough to bridge the gap between what a buyer qualifies for versus home sale prices"

"The repayable portion. That's not equity building for the Black community."

"Unwillingness for funders to see the legal path forward for this to be explicitly race-focused solution."

"Is the assistance enough relative to the house prices and housing available."

"A fresh approach to using current infrastructure to solve a real problem."

"[This prototype] addresses building Black wealth through homeownership!"

Homeownership Preservation Fund prototype feedback

Workgroup members shared their general reactions to the Homeownership Preservation Fund prototype in a rapid feedback activity. They shared overall support for this prototype. Some workgroup members were concerned that this would be too much assistance, while most agreed this type of assistance was a necessary component of the integrated prototype. Workgroup members suggested the exploration of this fund as an "emergency only" option rather than funds that are generally accessible at any time. Overall, there is some excitement about this prototype, and members are interested in learning more about the specific eligibility criteria as this solution is developed. The below table represents breakout room conversations around each discussion question. See pages 189 and 209 for Mentimeter results and pages 232-234 for capital prototype descriptions.

Question	Feedback Summary	Examples
Share your rapid feedback using the following prompts: I like, I wish, What if?, I wonder	<p>Workgroup members really liked the idea of this preservation fund overall. They believed it was a necessary product for homeowners, though it was the least clear in how it would work when compared to the other two prototypes.</p> <p>Workgroup members across breakout groups noted that the process after purchasing a home was a key part of the homebuying process for prospective homeowners and responded positively to the post-purchase success of the beneficiaries.</p>	<p>"I wish there was more detail about what post-closing entailed."</p> <p>"I like that it focuses on success post-purchase."</p> <p>"I like it - money, forgivable, post purchase resource. I wonder if it wasn't tied to the first mortgage product?"</p> <p>"I wonder if there are enough sources for forgivable DPA."</p> <p>"I wonder how we educate people to start putting money away and have reserves for themselves? If we're already presenting a first-time home buying product, we're presenting down payment assistance programs, now we're saying we're going to give you funds in case you have an emergency too?"</p>



Homeownership Workgroup Responses

At the end of the session, workgroup members were asked to rate the prototypes' alignment with their expectations and their confidence in their organization's ability to implement them. Below represents the median response (n=21):





Acknowledgements

A special thank you to all of the workgroup members, co-chairs, and subject matter experts for sharing their time, energy, and wisdom with GroundBreak!

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Commissioner Carter	Ramsey County
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Chris Coleman	Habitat for Humanity
Kari Collins	Ramsey County
Tina Corea	Corea Advisory LLC
Al Cornish	gener8tor
Brian Crosby	Associated Bank
Todd Crow	PNC Bank
Greg Cunningham	US Bank
Delphanie Daniels	Best Buy
Trish DeAnda	MCCD
Will Delaney	Hope Community
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Renay Dossman	NDC
Kizzy Downie	Model Cities
Jeremy Drucker	McKnight Foundation Consultant
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Henry Jiménez	LEDC
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Lauren Gilchrist	Children's MN
Carla Godwin	JD Graves Foundation
Amy Goldman	GHR Foundation
Nicolle Goodman	City of St Paul
Bill Graves	JD Graves Foundation
Commissioner Greene	Hennepin County Commissioner
Mary Grove	Bread & Butter Ventures
Commissioner Grove	MN DEED
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Repa Mekha	Nexus Community Partners
Mary Miklethun	US Bank
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Kristine Oberg	US Bank
Tom Oldenburg	US Bank
Pilar Oppedisano	JP Morgan
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Marcus Owens	African American Leadership Forum Twin Cities
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Jason Peterson	NeighborWorks Home Partners
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Kim Smith Moore	Minnesota Homeownership Center
Nadege Souvenir	St Paul and MN Foundation
Stephen Spears	Bremer Bank
Kate Speed	LISC Twin Cities
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Mike Swanson	Brandl Anderson Homes
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Kevin Walker	Northwest Area Foundation
Donovan Walsh	MEDA
Ellen Ward	GroundBreak Project Consultant
Jeff Washburne	City of Lakes Land Trust
Brent Webb	Mortenson Construction
Jonathan Weinhagen	Minneapolis Regional Chamber
Julia Welle Ayres	Hennepin County Housing and Economic Development
Tim Welsh	US Bank
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Kathy Wetzel-Mastel	PRG
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RT Rybak	Minneapolis Foundation
Ellen Sahli	Family Housing Fund





APPENDIX A

BIPOC Entrepreneurship

Mentimeter Results

What existing efforts align with this prototype?

Minneapolis Commercial Property Fund

LISC Entrepreneurs of Color - Local

NEON Revolving Loan Fund -North Minneapolis
Forgivable loans

PFund Foundation: Equity Fund for Queer Entrepreneurs
of Color (local; not to scale)

Lake Street Council - We Love Lake Street

InvestMPLS Fund - Minneapolis Foundation low interest
loan to intermediaries. Also loan guarantees.

COVID relief - similar & diff - recommend having a focus
group discussion of local/state gov partners that
administered COVID relief grants, and another focused
conversation with a few of the most proficient TA
providers who administered grants

Some PRI in Covid were adjusted to lower % rates

Central Corridor offered small forgivable loans during
LRT construction several years ago. Tracking and
paperwork on forgivable loans were challenging for TA
providers

Breakout room with Alex (Start-Up Grant/Forgivable Loan)

What existing efforts align with this prototype?

Targeting younger entrepreneurs.

Ensuring awareness and access to the targeted audience.
Ongoing messaging & campaigning.

Targeting younger entrepreneurs.

Managing expectations. Grants usually take time and are not an immediate turn around.

Breakout room with Alex (Start-Up Grant/Forgivable Loan)

Where do you think this prototype has the most opportunity for improvement?

What is the process for picking "winners and losers" in a way that is 1)transparent 2)fast 3)meets strategic objectives

Considerations for intersecting identities (disability, vets, LGBTQ+, women, etc.)

Younger entrepreneurs.

Getting the scale/amount right. The higher the amount, the bigger the impact for those who get the grant, but also the bigger perceived loss for those that don't receive a grant

Managing expectations. Grant take time, not immediate turn around time.

Influencing traditional lending systems and creating change

Important to think about evaluation and what success looks like on the front end: what % of businesses are projected to succeed after 3-5 years; what is the impact for job creation, etc., to set realistic expectations for funders and the public

Maintaining a 10 year attention span from funders/partners

Influencing and creating change with traditional lenders

Breakout room with Alex (Start-Up Grant/Forgivable Loan)

Where do you think this prototype has the most opportunity for improvement?

Invest in more co-op business space to operate.

Breakout room with Alex (Start-Up Grant/Forgivable Loan)

What equity gaps may exist within the solution that need to be addressed?

Geographic

Similarly, are there ability issues to consider?

This may not have a broad intersection, but TA coaching around putting grant/forgivable loan funds into accounts with "right to offset"

People recovering from the criminal justice system.
What are their barriers to access?

Be clear about geographical parameters and eligibility; be clear about entity types that are eligible; any specific NAICS codes that are eligible/ineligible; whether home-based businesses are eligible; faith-based orgs, etc.

Ensure racial, cultural, and linguistic diversity of TAs who can 'certify'; consider adding specific culturally-focused community organizations to be navigators and connect community members to TAs

Be sure to offer all materials in multiple languages

Breakout room with Alex (Start-Up Grant/Forgivable Loan)

What do you think are potential challenges for bringing this solution to market?

By definition, grants are one and done.
Make sure to have clear expectations
and process to get there.

Breakout room with Alex (Start-Up Grant/Forgivable Loan)

How can we ensure that this prototype is successful?

Long term, demonstratable commitment to scale

Buy-in at Trustee/C-suite Level

All hands on deck approach for "involvement & engagement" for various constituents. I.e. the Greater MSP

Minimize confusion to the user. Grants and philanthropy is not common knowledge.

really think about those who will be rejected, not only those who are rejected based on established criteria, but those who simply don't get the funds simply because there will never be enough \$\$\$

Social media and influencers.

How do you determine who gets a loan vs. a grant? If grants go to those who can support a loan, was it a wise use of grant dollars? If it only goes to those who get turned down from a loan, will grants generate the same level of impact/success?

Who else is at the table

Breakout room with Alex (Start-Up Grant/Forgivable Loan)

What would it take for your organization to be an early-adopter of this capital solution?

Need to have a conversation with the leadership and gain their commitment.

Would have to answer: why can't funds be given as a loan and revolve?

Who else is at the table

Breakout room with Alex (Start-Up Grant/Forgivable Loan)

I like, I wish, what if, I wonder

I like the idea of providing a guarantee.

I wonder - is it up to the entrepreneur to apply for and get the guarantee from GBC?

I like the simplicity of a "Ground Break" guarantee for the community to take to banks, CDFI, other lenders.

I like the guaranty support is designed to support a range of products to allow CDFIs and financial institutions to pick the best product for the borrower (e.g. fully amortizing, different rate / term, etc.)

I wish the guarantee could be layered with other guarantees to lower the remaining capital requirements for lenders.

I like the guarantee support.

I like simplicity of the guarantee. I and wonder if it will get lenders making more loan if it not pool level support.

What if there was no collateral requirement

I wish we the guaranty in a first-loss position (vs. shared) to increase effectiveness and ability for lenders to rely on it to offer favorable product terms to the borrowers

Breakout room with Lyneir (Early-Stage Debt)

I like, I wish, what if, I wonder

I wish we had a SBA rep provide basic guidelines for determining lien positioning options.

I wonder how this could interact with SBA lending programs?

I wish we the guaranty was at a pooled basis for a lender (vs. loan-level) to increase effectiveness and ability for lenders to rely on it to offer favorable product terms to the borrowers

I wonder if the guarantee could be used for more than just loans...such as other assets or leases?

I wonder who is eligible, just BIPOC entrepreneurs in MSP?

I wonder if this can be added to SBA guarantee to reduce Lenders risk to only 5%.

I wonder what simplified underwriting means

What if the lenders could choose the rate?

I like that we are designing the product to support the borrower and support the lender's ability to support the borrower

Breakout room with Lyneir (Early-Stage Debt)

I like, I wish, what if, I wonder

I like the prototype overall, the grant & lending amounts can work based on the scale & scope of the early stage business... I'm just joining into the group meetings and need to bring myself up to speed.

I like the scale of the products and impact I wish there was a piece of this solution that accounted for the lack of scaled capital at the CDFI level

I like that this is designed as a "gap" product (vs. an overlay to products in place that are already meeting the need)

I wonder if the collateral is solely to business assets (vs borrower personal assets)

I wonder- In many cases capital is based on business markets /industry etc which in many cases Black Entrepreneurs are developing businesses within their own cultural markets that may be outside of industry/market standards...

Breakout room with Lyneir (Early-Stage Debt)

What existing efforts align with this prototype?

SBA guarantee seems to be in alignment.

Mn Deed just announced a \$12.5 mm loan program for startups

The state, DEED, is offering a guarantee program.

MN Loan Guarantee program
<https://mn.gov/deed/business/financing-business/deed-programs/ssbci/loan-guarantee/>

There are initiatives outside of GBC to scale the capital available to BIPOC entrepreneurs through mission-driven CDFIs.

We can leverage guaranty best practices / models from work done with The Kresge Foundation (included McKnight Foundation, Meda, etc.)

Wonder what loans the universe of CDFIs have on their books already to BIPOC entrepreneurs and would they increase the loan amount or restructure these existing loans with the GBC guarantee

Breakout room with Lyneir (Early-Stage Debt)

Where do you think this prototype has the most opportunity for improvement?

Refine guaranty support and tie to products (including leveraging best practices), then preview with select representative CDFIs and financial institutions to refine / adapt based on (1) borrower need, and (2) need of lenders to support borrowers

I wonder if our goal is to get the businesses full funding or get more businesses some funding. I have heard many stories where a small inadequate amount of debt puts the business at more risk because it didn't do enough to reach that next milestone

Making sure that the grant is used to support the business capacity to be ready and not just in product development but rather business infrastructure

If a lender already has access/ability to leverage to a strong guarantee, how can this product supplement or leverage further.

Real lender feedback is needed now.

Ensuring first that we are assessing what is already happening and doing a gap analysis to make sure we are leveraging what is happening but not being blind to the need to tweak.

Ensure in design / deployment that the value of the guaranty will be *valued* by the lender -- e.g. preferred rate / terms (a guaranty will always be accepted by a lender)

Again the cultural market vs traditional markets remains an important consideration

Breakout room with Lyneir (Early-Stage Debt)

What equity gaps may exist within the solution that need to be addressed?

Lender and investor fatigue is a risk- so many initiatives are happening and many players are wrapped around it. Mindfulness is essential

Breakout room with Lyneir (Early-Stage Debt)



What do you think are potential challenges for bringing this solution to market?

Few foundations in our market make guarantees

It will require \$100M+ of capital

Who will administer the guarantee?

Ensuring the guaranty support is provided from institutions strong enough to be relied upon by the lenders (as lenders need to underwrite the organizations providing the guaranty support)

Many BIPOC entrepreneurs still need equity/grants in order to test, learn, grow enough to be ready for debt or market-style venture capital.

Clarify intended level of use of guaranty as this directly impacts (i) underwriting criteria and (ii) level of guaranty support needed (e.g. expectation is called only as an exception, is expected to be called 100% of the time, etc.)

Similar comment to Kenya. Thorough assessment of what is happening already and leveraging that work but also not being blind to what isn't being addressed in the existing models.

Are there lenders staffed up to make 500 new loans each year to BIPOC entrepreneurs?

Will require education / engagement of lenders and CDFIs to accept the guaranty (see other note about *valuing* the guaranty)

Breakout room with Lyneir (Early-Stage Debt)

What do you think are potential challenges for bringing this solution to market?

Are there national structures in place already that we can use the power of groundbreak to draw down?

In design / deployment, establish specific targeted outcomes (including systemic change), ensure stakeholder engagement, monitor and report back, adapt and refine as needed (both the market and need in the market changes over time)

Breakout room with Lyneir (Early-Stage Debt)

How can we ensure that this prototype is successful?

Consistent outreach to BIPOC businesses in need of these programs

Lender/investor fatigue- work to build synergies where possible

Measure default rate

Breakout room with Lyneir (Early-Stage Debt)

I like, I wish, what if, I wonder

I like that it supports business growth through access to larger dollar loan

I like the \$ range for each prototype

I wonder if 25% guarantee is adequate to unlock loans that are not currently getting approved

I like that #3 is a sub prime interest rate, making capital more affordable

I wonder if #3 is too late stage to have a material impact on most Black entrepreneurs who are trying to grow a business

I wonder how many local CDFI's are able to provide \$250k+ loans?

#3 I like that it addresses one of the key constraints of lending institutions (guarantee) versus asking lending institutions to take on all the risk. I wish it was more than 25%, but I wonder what the % guarantee is of white entrepreneurs.

Breakout room with Ben (Late-Stage Debt)

What existing efforts align with this prototype?

CDFI guarantee program managed by Virginia Community Capital

Bell Bank launched a debt program for BIPOC entrepreneurs, but it may be focused on venture backed companies.

I wonder how many CDFI's can do \$250k+ loans?

Bell Bank's Starfish Loan Program

Breakout room with Ben (Late-Stage Debt)

What would it take for your organization to be an early-adopter of this capital solution?

Defining how CDFIs need to apply to access to the program? Is it excessively time consuming?

A small grant to support the organization getting set up

Breakout room with Ben (Late-Stage Debt)





APPENDIX B

Commercial Development

Mentimeter Results

I like, I wish, What if, I wonder

What if we had a Debt Service Reserve to make Senior Debt Approval faster and more uniform.

Is there going to be a uniform underwriting process/application for all participating financial institutions

I like the idea of a 10% guaranty on the Sr. Debt, especially at 60% LTC.

I like that the model allows for a longer period for lease-up/ stabilization

I wonder if the interest rate can be less than market rate?

I wonder what risk share looks like for the senior debt?

I wonder if there's a way to reward equitable development projects with lower rates/ sources of capital?

I wonder if the guaranty will be cash collateralized? And if so, are those funds held at the senior lender? If not, what sort of balance sheet/liquidity expectations can the Sr. lender expect?

I wonder what the KPI's will be and how much reporting will be required?

Breakout room with Cam (Sr. Debt)

I like, I wish, What if, I wonder

Overall I really like the model and thinking behind the prototype.

I wonder how these sites and projects can square on their revenues to meet the debt service in LMI area

I wonder how most senior lenders feel about 5yrs of Interest-Only payments.

Non-prof/mission-driven tenants are willing to pay above market to balance revenues

Wonder if there's broker support on back end of development for match making

I like the idea of matchmaking with government,, non profit and corporate tenants.

Breakout room with Cam (Sr. Debt)

I like, I wish, What if, I wonder

n/a

State of MN NMTC's

Other programs we often refer to for alignment with
LISC Community Asset Transition (CAT) Fund:
Commercial Property Development Fund, Hennepin
County Community Investment Initiative, DEED Main
Street, Triple R

n/a

Breakout room with Cam (Sr. Debt)

What existing efforts align with this prototype?

n/a

State of MN NMTC's

State of MN NMTC's

Other programs we often refer to for alignment with LISC Community Asset Transition (CAT) Fund: Commercial Property Development Fund, Hennepin County Community Investment Initiative, DEED Main Street, Triple R

Revenue Bond issued for \$50-\$100M bond. GBC partners create credit enhancement pool. Carve bond source for multiple \$2M deals- like Sunrise small business NMTC's

Breakout room with Cam (Sr. Debt)

What racial equity components or justice components does the solution miss?

For where these projects are located, developers just can't charge the rents they need to be able to really cash flow and service debt and build wealth

So many of the sites Black developers are able to acquire in the cities require environmental remediation, which makes development more expensive

Don't forget about the impact of redlining in these neighborhoods

Having to still source 3% in equity as a developer is still too burdensome and doesn't fully account for the cumulative historical factors

Access to Knowledge as Mike mentioned

Real Estate Technical Assistance funds for CDFI's

Standardize terms of subordination agreement on the front end of development for this capital solution. I wonder if GBC could work toward this in the creation of the capital solution

Breakout room with Cam (Sr. Debt)



What do you think are the most important challenges for bringing this solution to market?

Market and communicate “what and how” in a better way. Need one door for developers to focus in on for entry

How do CDFI’s collaborate more systemically? Need that, and more streamlined

Need multiple institutions participating in capital product so if one says “no”, it can’t kill a deal. “Need 10 banks”

Need a bigger grant pie

Have standardized participation agreements in place across banks

Market and communicate “what and how” in a better way. Need one door for developers to focus in on for entry

MN CDFI Coalition, there’s gotta be convergence opportunity with GBC capital solution

The more of these deals get done, the more trust builds for the product and institutions

Need a bigger grant pie

Breakout room with Cam (Sr. Debt)



What do you think are the most important challenges for bringing this solution to market?

MN CDFI Coalition, there's gotta be convergence opportunity with GBC capital solution

How do CDFI's collaborate more systemically? Need that, and more streamlined

Have standardized participation agreements in place across banks

The more of these deals get done, the more trust builds for the product and institutions

Need multiple institutions participating in capital product so if one says "no", it can't kill a deal. "Need 10 banks"

Breakout room with Cam (Sr. Debt)

What would it take for your organization to be an early-adopter of this capital solution?

California I-bank guarantee program for CDFI's

"Product coming with grants, credit enhancements, flexibility, collaboration across multiple parties"

Need more detail on the second, and how it interacts with the first

"We expect these loans are going to be paid back"

Getting 5-year interest only is REALLY hard

Banks write to cash flow, gotta have it!

"Need to sell we're setting people up to be successful, across time, and generate wealth IN communities"

The guarantee pool MAY help get to 5-year interest only...

Be CLEAR on second terms, position, etc., UP FRONT

Breakout room with Cam (Sr. Debt)

What would it take for your organization to be an early-adopter of this capital solution?

Stake out who, can do what, and for what type of deals, UP FRONT

Banks are going to hate a 5-year stabilization point. A 2/3 year point is best you'll get. Don't see 10% enhancement accommodating that point

Can't make projection loans, got to keep developers and their tenants out of trouble

Breakout room with Cam (Sr. Debt)

I like, I wish, What if, I wonder

I like - we have a Draft of a structure to respond to

I like the possibility of getting to scale.

I wish ...we could hear from potential investors in the junior debt space...understand their appetite and expectations

I like the recognition that 'below-market interest' is called out in prototype

I wonder if the same funding source entities will participate in both junior and senior debt.

I wonder if the terms are workable for a broad enough swath of institutions with capital to provide

I like that there is the potential for risk sharing to lower the burden for individual financial institutions to participate.

I wish I knew more about the list of 60-100 neighborhood projects

I wonder....what do actual bipoc developers see as challenges with this proposal

Breakout room with D'Angelos (Sr. Debt)

I like, I wish, What if, I wonder

I like getting toward specificity of terms to get concrete reactions from financial institutions.

I like the delegation of underwriting idea with financial institutions (for Junior Debt)

What if....the anticipated recession scares away junior investors

I wonder how many financial institutions are already involved in the Groundbreak initiative and how many we really need to scale this work.

I wonder who makes ultimate investing decisions.

I wonder if there is a Junior Debt product in the market place that mirrors this prototype

I wonder how we can support developers in an ongoing, sustainable way to get to the stage of having a project ready to apply for funding.

I wonder how projects/developers will be identified and confirmed as eligible for these funding tools.

I wish that there was a process similar to the MHFA "Super RFP" for affordable commercial projects for gap financing from government sources could also be applied for just once and the public-sector funders to ensure projects are fully-funded.

Breakout room with D'Angelos (Sr. Debt)

I like, I wish, What if, I wonder

I wonder what would motivate traditional institutional investors to participate.

Breakout room with D'Angelos (Sr. Debt)

What existing efforts align with this prototype?

Minneapolis Commercial Property Development Fund.

Greater Minnesota Housing Fund may have a junior debt product

City of Mpls CPDF

DEED Emerging Entrepreneur Loan Program (ELP).

Maybe some ways to align with Inflation Reduction Act funding - perhaps through DOE loan guarantee program for energy related components of developments.

Building energy benchmarking ordinances to encourage decarbonization/energy efficiency.

Breakout room with D'Angelos (Sr. Debt)

What racial equity components or justice components does the solution miss?

What are the selection criteria for borrowers? Is there a legal framework needed to target/prioritize funds to black/BIPOC developers?

plan tries to address this some, but still challenges to entry with lack of proven track record

While we strive to create a streamlined approach the draft is still complex and does it overcome the barriers to entry that we have discussed for bipoc developers

Breakout room with D'Angelos (Sr. Debt)

What do you think are the most important challenges for bringing this solution to market?

Junior debt investors to commit given macro economic environment

Getting commitments from enough lenders to scale.

Evolving state of the economy, interest rates etc.

The many different decision makers at each institution.

Flushing out the credit enhancement guarantee she getting the guarantee entities to sign on

Negative reception of the prototype terms and conditions by Junior Debt providers

Ensuring the developer support structure exists and is well-funded alongside the capital products to ensure a pipeline of borrowers.

It may be challenging for narrowly place based institutions to participate. Like a community foundation.

Unique challenges inherent to each of these projects that are difficult to anticipate and solve for in a universal manner.

Breakout room with D'Angelos (Sr. Debt)

What do you think are the most important challenges for bringing this solution to market?

Bad actors within the existing capital structure pushing back on this prototype

Long enough commitments from lenders that this does not become a one-time program.

Crafting the selection criteria so this doesn't just fund projects that would have happened anyway without this structure.

Guarantee - detail - is the guarantee funded / funded - how quickly can the guarantor act to give the guarantee

Risk of one (or a small number) of failed projects creating negative impressions of the overall concept.

Source of funds. Senior debt may more easily fit in investment portfolios. Finding resources for jr debt at scale might be more difficult.

Breakout room with D'Angelos (Sr. Debt)

What do you think are the most important challenges to this solution's sustainability in the market?

Does the credit enhancement need ongoing contributions of grant funds, and if so, where would those come from? Philanthropy, government, etc. What are the commitments needed?

Landing on a set of terms that works so that all actors in the process know what to expect and everyone has reasonable certainty of what they are entering into.

Can a secondary market be developed to purchase and hold these debt products, allowing the lenders to originate more loans?

Longer term commitment (and bandwidth) from Junior Debt providers

Using grant funds to support this creates a tension between this solution and other more direct and immediate needs.

Is there enough flexibility in the model to adjust to changes in the marketplace over time.

Product will need success stories at the beginning to build a reputation as effective and build momentum to keep the tool going.

Strong support for the developers to address issues that develop early and effectively.

Breakout room with D'Angelos (Sr. Debt)

I like, I wish, What if, I wonder

I like the Loan to cost

I like the 10% guarantee on top of the 60% LTC

I wonder if reducing the percent of the deal the first lender needs to loan, will open up more of existing lender funds and not requiring raising new funds.

I wonder is the guarantee only 10% of the loan or the entire amount

I wonder what the primary pain points could be in the loan documents between the Senior Debt and Junior Debt

I wonder what would attract investors to this new model when they are comparing it to more traditional and perhaps more proven investment options.

I wonder if this structure reduces risk enough to bring more lenders in to participate in the program.

I wonder if this prototype will fit within most investment policy statements.

I wish GBC had the commitment to the Senior Debt solution from the top 3-4 banks in our region today and we'd be off to the races

Breakout room with D'Angelos (Jr. Debt)

What existing efforts align with this prototype?

DEED Main Street Loan guarantees

CPED 2% Loan

Breakout room with D'Angelos (Jr. Debt)

What do you think are the most important challenges for bringing this solution to market?

Getting lenders in the program.

Making it simple and attractive enough to get providers engaged.

Ensuring the Senior Debt product falls in line with the guidelines of the greatest number of Senior Debt providers

Getting a standardized “term sheet” for banks to discuss internally and report back. Details on the junior lenders will be important in this conversation

Breakout room with D'Angelos (Jr. Debt)

What do you think are the most important challenges to this solution's sustainability in the market?

Need success stories that demonstrate how these projects happened because of the program and they would (likely) not have happened otherwise.

Firm commitment from Senior Debt providers regardless of market environment

It will need well developed marketing. Foundations are known for moving on. We have a short attention span.

Keeping risk under control for senior lender and focusing risk and the management of risk more squarely at the junior lender level. This will encourage and sustain the most senior lenders in the pool as possible.

Ensure a good credit product with appropriate risk weighted return

Breakout room with D'Angelos (Jr. Debt)

I like, I wish, What if, I wonder

I wonder what the lowest DSCR and LTV levels would be on this funding

Breakout room with Ben (Sr. Debt)

What do you think are the most important challenges to this solution's sustainability in the market?

continued political pressure to
senior debt lenders

Breakout room with Ben (Sr. Debt)



I like, I wish, What if, I wonder

I wonder where the funds are coming from.

I wonder how the repayment terms will work.

I wonder what happens if the project has a cash flow gap that can't support the jr. debt

I like the below market interest rate

I like the clearing house idea. However that idea is complicated for funders.

I like the coordination between Junior and Senior debt.

I wonder who will coordinate this integration.

I wonder how the interest rate to borrower will be 2-7% (perhaps under market rate) and the return from the Evergreen Fund would be market rate to investors?

I wish the term was longer.

Breakout room with Ben (Jr. Debt)

I like, I wish, What if, I wonder

I wonder has this been modeled to see if this junior debt along with the senior debt “underwrites”?

I wonder how the junior debt would cover development consulting/expertise.

Great Streets loans

I wonder how the 95% leverage works to ensure the developer has enough skin in the game during tough times

I like the clearinghouse idea that provides opportunity to matchmake black developers with technical assistance and this should be expanded from securing funds at the beginning of project and for a longer- period to support stabilization.

<https://www.minneapolisfoundation.org/stories/community-issues/second-phase-of-main-street-grant>

I wonder how it would work if there's a default?

City's 2% loans

Revolving Loan Fund at NEON providing gap financing and pre-development costs.

Breakout room with Ben (Jr. Debt)

What existing efforts align with this prototype?

Commercial property
development fund

2% loan fund

CDFI financial supports

Great street loans

Breakout room with Ben (Jr. Debt)

What racial equity components or justice components does the solution miss?

The Muslim community which is prohibited from paying interests

What considerations are being made for the pending economic impact regarding projects such as Blue Line Coalition, associated tax increase costs, etc...

Breakout room with Ben (Jr. Debt)

What do you think are the most important challenges for bringing this solution to market?

Willing funders.

Ongoing governance and/or partner coordination

And equitable decision making process for who gets the funding

How do you deal with defaulting loans or those are not in compliance?

Breakout room with Ben (Jr. Debt)

What do you think are the most important challenges to this solution's sustainability in the market?

The ability for the borrowers to pay debt service and repay the loans

Confidence in underwriting so that the funds are repaid.

Decision making of which projects get funded

Ease of paperwork to submit for funding from developers

climate solutions

More clear understanding of the underwriting process

Breakout room with Ben (Jr. Debt)

What would it take for your organization to be an early-adopter of this capital solution?

More clear understanding of the underwriting process

Understanding of what “happens” when there’s a default

Understanding who is the investment committee

Breakout room with Ben (Jr. Debt)



APPENDIX C

Rental Housing

Mentimeter Results

To what degree do the ideas in this solution resonate with you?



Breakout room with Will – Solution #1



Would you rate this solution as more transformational or transactional (or somewhere in between)?

In between - keeps existing system, but tries to improve it and make more equitable.

in-between and a practical and necessary step to improving the current system.

Leans towards transactional vs transformational

Having trouble getting to how this solution unlocks capital.

The system is inherently decentralized and fragmented. The language does not take into additional issues related to local government participation.

I think this can be transformational.

Breakout room with Will – Solution #1



What work is already happening on this solution, if any?

NOAH Funds - there are local and national examples - all rely on blending very low-cost and private capital bring equity to developments ~60% AMI

Breakout room with Will – Solution #1



Would you prioritize this solution as short- or long-term? Why?

short term to begin and then will likely be ongoing

This is a long term. It takes several public entities.

Breakout room with Will – Solution #1

Do you have energy for, or interest in working on this solution in 2023? If so, please share your name and how would you want to be involved?

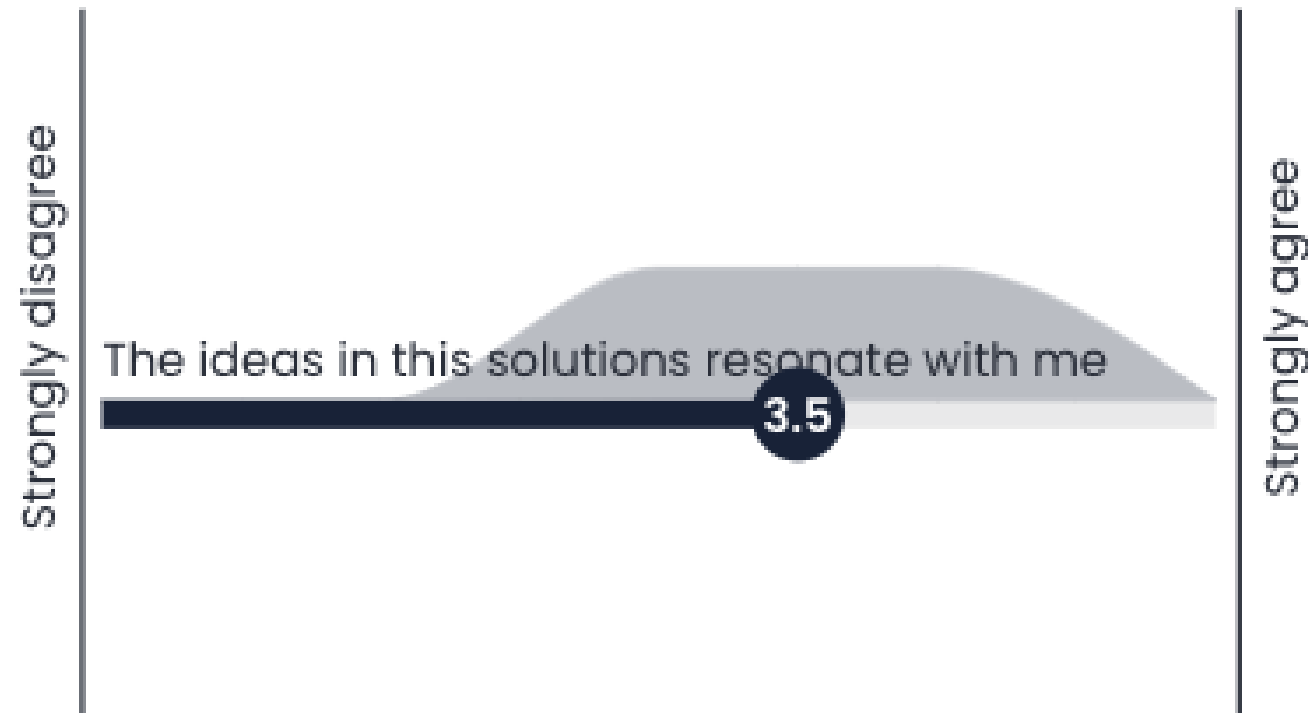
Yes, I would love to help come up with some of the solutions.
Nawal Noor

Lauren -- interested in how healthcare can partner to leverage investments in affordable housing

Always. I am very interested.
Rachel Robinson - I have built private solutions and know how we work in government so I can dig in.

Breakout room with Will – Solution #1

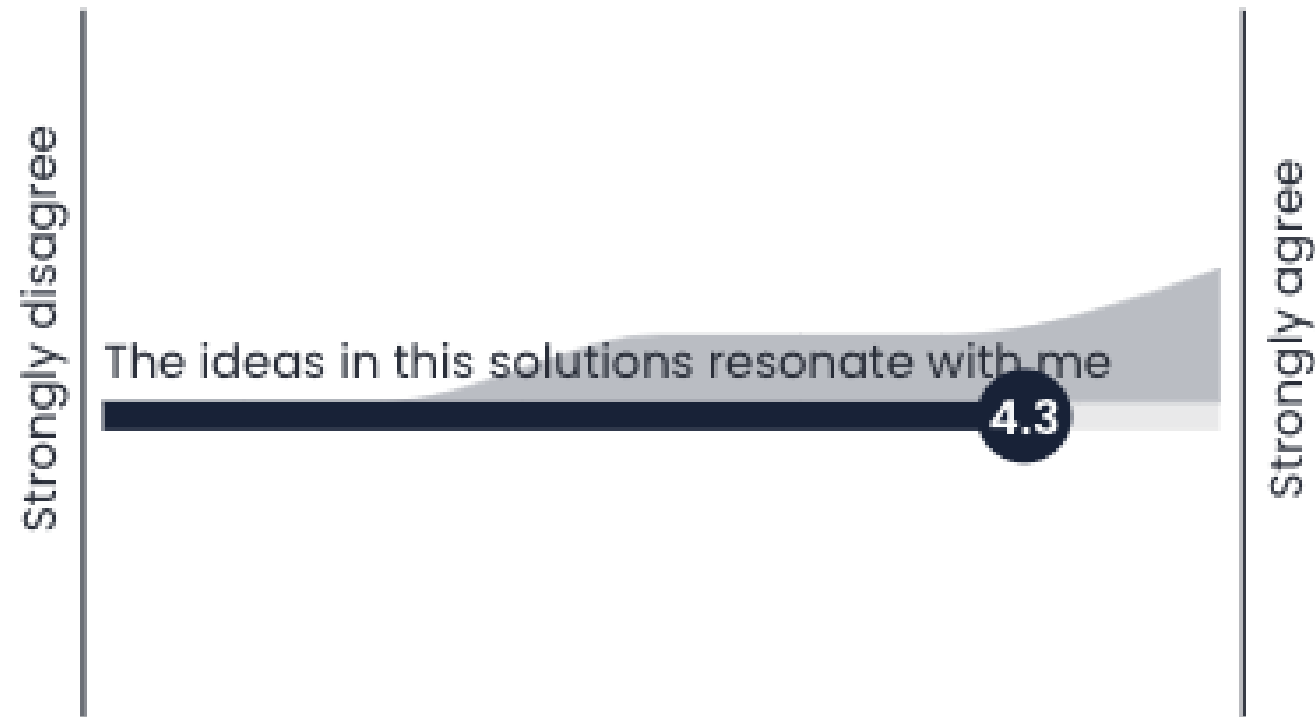
To what degree do the ideas in this solution resonate with you?



Breakout room with Will – Solution #2



To what degree do the ideas in this solution resonate with you?



Breakout room with Will – Solution #6

Would you rate this solution as more transformational or transactional (or somewhere in between)?

Transformational

Transformational

transformational

Breakout room with Will – Solution #6

What work is already happening on this solution, if any?

Enterprise model nationally. Not sure of anything locally.

Breakout room with Will – Solution #6



Would you prioritize this solution as short- or long-term? Why?

Long term.

I think this could be a short-term priority and would not take that long to pilot, though to bring to scale might take longer-term.

long term

Breakout room with Will – Solution #6



To what degree do the ideas in this solution resonate with you?



Breakout room with Shannon – Solution #1

Would you rate this solution as more transformational or transactional (or somewhere in between)?

Transformational

Too large a category to say. I would also say that it isn't just about development. #1 issue is compliance.

This is transformational. However, I can see how complex this would be given the multiple funding sources, each with their own compliance requirements.

I am not seeing how this is transformational. There are not enough specifics as to how this time will be different.

This is a transformational solution. It could streamline, shorten timelines and create savings.

One of the problems i see is that real estate is local. one of the few national influencers is the agencies. Working through/with them might be a good way to develop new standardization

Transformational. It would be systemic. But EXTRELY Hard to execute on.

I would be more specific. projects that fit specific design principles will be approved by "right" . Suburbs in the metro level are required to participate up to x# of units. etc... This is just an example.

Education for city council members on what affordable is. Streamline permitting process and explore zoning changes while not giving so much control to local residents who are not experts.

Breakout room with Shannon – Solution #1

What work is already happening on this solution, if any?

GMHF

Duluth in their small homes Initiative

CA housing accelerator

City of Minneapolis

Real estate is local. The agencies are one place where standardization occurs

Multi-Housing Association (landlord association is constantly pushing on regulatory reform)

Minneapolis has created new programs that are lighter-touch and have faster timelines, to expand preservation and production capacity beyond existing rental \$ programs (ex. NOAH, 4d)

MN housing doesn't subordinate to HUD!

ULI

Breakout room with Shannon – Solution #1

What work is already happening on this solution, if any?

Long term. Not possible to make major regulatory reform without a major united effort

LONG TERM

Breakout room with Shannon – Solution #1

Would you prioritize this solution as short- or long-term? Why?

Long term

Long term

Long term- Requires system change

i would put standardization as a very high priority

Short term. Use private \$ to require streamlining.

NO

UHC relatively short-term. I think this is actionable fairly quickly. pending interest rate expectations

Long term - model needs to be sustainable

Will take too long to accomplish and would not want to lead with it.

Breakout room with Shannon – Solution #1

Would you prioritize this solution as short- or long-term? Why?

depending on the funding source, could be short or long term

i would be interested.

Shannon, you can include me....

Breakout room with Shannon – Solution #1

Do you have energy for, or interest in working on this solution in 2023? If so, please share your name and how would you want to be involved?

YES.

shannon, you can include me

Yes, Dr. Eric Anthony Johnson.

Yes, in particular educating local elected officials

Yes Kate Kelly/pnc

No. -Warren Hanson (working on it in the field ongoing not leading)

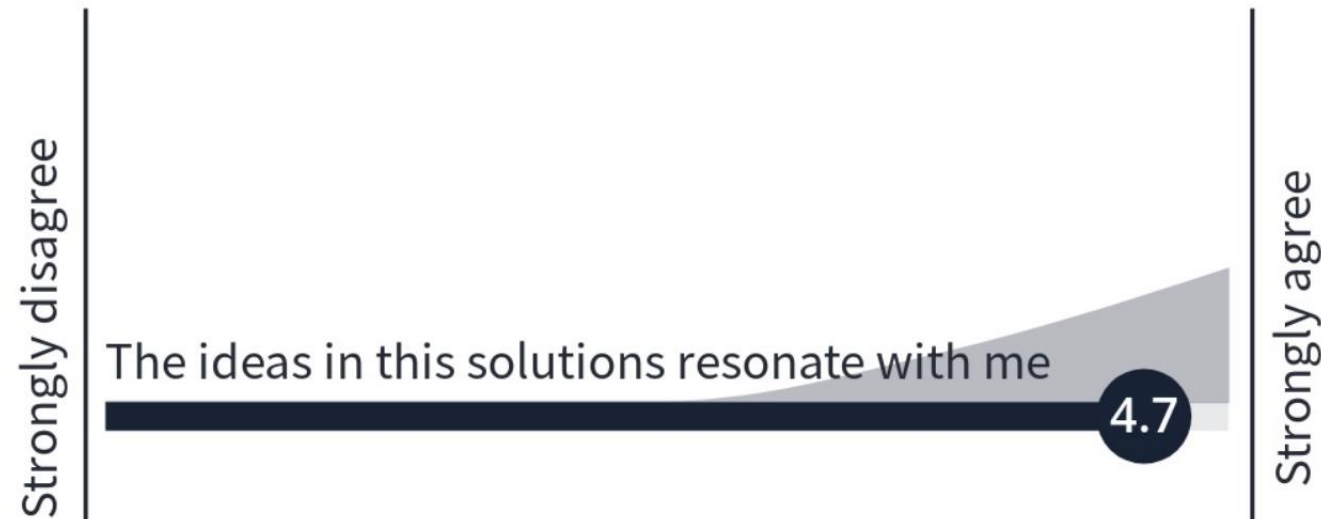
We are already in a conversation with MN Housing to review recent experience on closings

Erica/Securian

Yes, Jules (City of St. Paul)

Breakout room with Shannon – Solution #1

To what degree do the ideas in this solution resonate with you?



Breakout room with Shannon – Solution #2

Would you rate this solution as more transformational or transactional (or somewhere in between)?

Transactional.

Transactional

Transactional. Improving the existing system but not necessarily transforming it

Somewhere in between - using the tools already available and in place but pushing for more participation and outcomes

The possibility for impact is constrained due to caps

Transformational if funds can be dedicated to attracting private capital at lower cost. We need a powerful statement for the government to say to the private sector that its worth their time to invest.

Somewhere in between - focus on improving existing deals, getting them done more quickly

Need 15 years not 10

Increasing the scale of private dollars does not cause public dollars to be maximized . Unlocking massive private capital will not unlock public funds. If public subsidy dollars in the future will not mainly cause private capital to flow

Breakout room with Shannon – Solution #2

Would you rate this solution as more transformational or transactional (or somewhere in between)?

Could be transformative if target NP and BIPOC developers

Breakout room with Shannon – Solution #2

What work is already happening on this solution, if any?

CBC is private fundraising to fill 4% gaps and working with willing cities

HIB

Homes for All and 200 advocates are working on increasing bonding dollars every year. This is achieving \$100M per year funding from the state

Doug Strandness is looking at 501c3 and property tax savings

On a smaller scale.

Breakout room with Shannon – Solution #2

Would you prioritize this solution as short- or long-term? Why?

Long term legislative authorization and political will (and unified government?) needed.

I think we just need more subsidy dollars

Long term solution

Shorter

Not as much to be gained unless expansion of HIB

Short term with the current unified government for the next 4 years, longer term given this is an annual battle or effort needing sustained energy over time (decades)

Short. There's already a lot of energy around this and we can keep the momentum going

Short term: focus on increasing HIB resources at the state level

Absolutely, in particular a source committed to draw in private dollars would be a significant ROI for minimal investment.

Breakout room with Shannon – Solution #2

Would you prioritize this solution as short- or long-term? Why?

Consider whether short or long or both -- this requires a massive effort at public and political will to shift priorities to housing

Breakout room with Shannon – Solution #2

Do you have energy for, or interest in working on this solution in 2023? If so, please share your name and how would you want to be involved?

Andy McMahon UHC yes

Dr. Eric Anthony Johnson. Yes, this is our opportunity to test creativity given the State surplus.

PNC yes

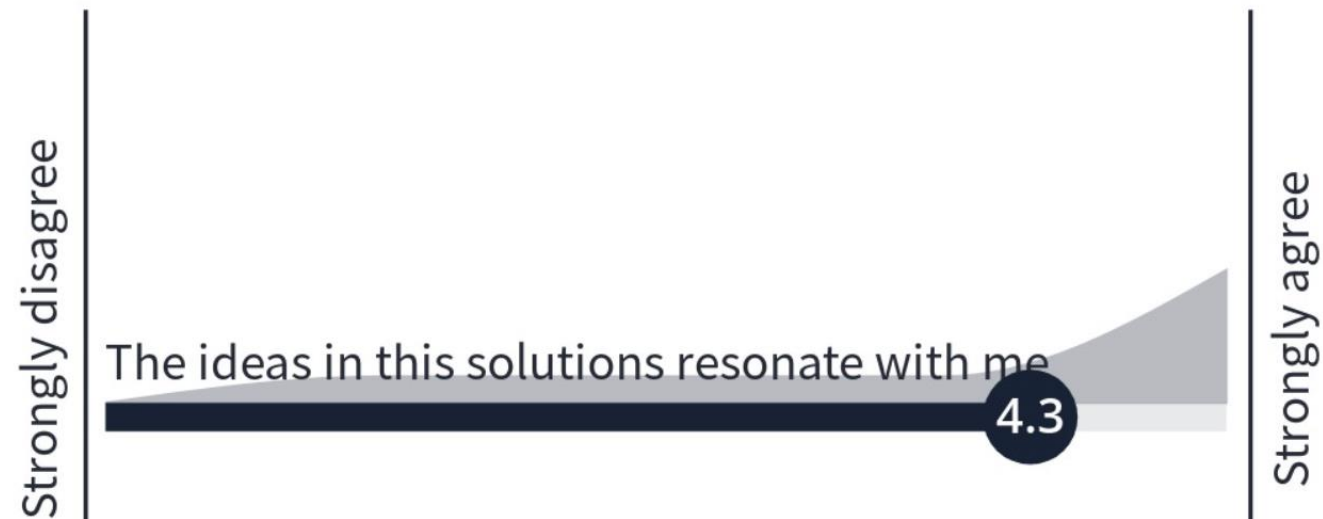
Yes if the question is will we work on aggregating private low cost capital. Yes if the question is working on increasing bonding and use of Tax Credits (may of us working on this annually)

Yes - Amy Geisler - new bonding approaches

Yes, Jules Atangana (city of St. Paul PED)

Breakout room with Shannon – Solution #2

To what degree do the ideas in this solution resonate with you?



Breakout room with Shannon – Solution #6

Would you rate this solution as more transformational or transactional (or somewhere in between)?

Transformational

Transformational

Transformational - long-term, generational potential

I think it's transformational because it is changing the narrative around who "can" build wealth. Not just homeowners

somewhere in between with a leaning towards transformational

I see this as a companion program. People who can afford to pay more "rent" to save could also just set up a savings account

Can be transformational if it provides a light at the end of the tunnel.

NorthCountry Foundation is creating "resident owned communities" at manufactured home parks throughout MN

Long term

Breakout room with Shannon – Solution #6

What work is already happening on this solution, if any?

Prepare and Prosper

CBC has a renter return pilot

Mayor Carter's college savings initiative

Also credit reporting of rent payments

Not sure.

Mpls and St Paul are both doing income support pilot programs

Breakout room with Shannon – Solution #6

Would you prioritize this solution as short- or long-term? Why?

Short term

Short term as a building block

Both - build on current programs, and expand to new efforts

Ultimately a long term but we can start now with examples that can be scaled

Both. Early wins. And sustained effort

Breakout room with Shannon – Solution #6

Do you have energy for, or interest in working on this solution in 2023? If so, please share your name and how would you want to be involved?

Yes

Count CBC in

Yes, Dr. Eric Anthony Johnson

Yes, Jules (city of St. Paul PED)

Breakout room with Shannon – Solution #6

To what degree do the ideas in this solution resonate with you?



Breakout room with Ben – Solution #1

Would you rate this solution as more transformational or transactional (or somewhere in between)?

Transactional. Feels like this is a tweaking of existing elements- important, but still tweaking.

Transactional

more transactional, but still significant

Transactional but tremendously important; our current system is not set up to process the resources we are likely to receive; this would be transformational in some cases if we move from a regulatory model (some will be necessary) to a partnership mo

More transactional. May need to change where the “driving” capital comes from

I spoke out loud.

On staffing, consider strategic outsourcing where others can help using MN Housing Guidelines

Both short and long-term. Let's focus on some low hanging fruit; and identify longer-term issues

Breakout room with Ben – Solution #1

What work is already happening on this solution, if any?

The fact of the consolidated RFP makes us more streamlined than many. I get we can do more but just noting

LISC CAT Fund - patient as interim financing.

It's important to remember that there will always be multiple priorities for the use of subsidy dollars that public entities will have to honor. So it will be important that the non-public need to be designed to drive the selection of certain project

Breakout room with Ben – Solution #1

Would you prioritize this solution as short- or long-term? Why?

Both

Both

Long term.

more short term because it is targeting something achievable without fundamental change, but hopefully would persist long term

Other important feature is improving equitable access to capital

Would love to say short term, particularly as it relates to major infusion of capital. Long term, given likely challenges of implementation.

Short term- Can help various sized projects “get out the gate” faster

It may be time to revisit the super RFP process to better reflect the current environment and goals -and that will take time

Breakout room with Ben – Solution #1

Do you have energy for, or interest in working on this solution in 2023? If so, please share your name and how would you want to be involved?

Interested - Kizzy Downie

Yes. Mary T

Someone from PPL certainly would contribute here.

Yes and can facilitate involvement of others as well. Tim Marx

Breakout room with Ben – Solution #1

To what degree do the ideas in this solution resonate with you?



Breakout room with Ben – Solution #2

Would you rate this solution as more transformational or transactional (or somewhere in between)?

In between.

Andy's comments about how low is concessionary in this interest rate environment caught my attention

Transformational if it really does unlock low-cost private capital; transactional if it nibbles around the edges; note the need to be careful and deliberate if we are going to maximize 4% credits and look at altering bond allocation priorities

In between- leaning towards transformational, especially is the private funds begin to influence the public.

In between

Both. A capital source like this is critical to making deeply affordable projects happen, so it is transactional, but it doesn't exist today, so getting it would be transformational

Transactional, although there will need to be transformational components.

In between

Both, but unless the short-term is big and bold, there won't be a long-term

Breakout room with Ben – Solution #2

What work is already happening on this solution, if any?

San Francisco community foundation has created a pooled Donor Advised Fund that provides this type of capital, primarily for Small NOAH projects

Both

Breakout room with Ben – Solution #2

Would you prioritize this solution as short- or long-term? Why?

Depends on how much is raised and how patient it is

It ought to be short. Models already exist, product is right there, demand is strong.

Both--but unless short-term is big and bold there won't be a long-term

Short term. This is where McKnight and the steering committee need to lean in immediately and devise effective challenges that will bring significant other dollars to the table

Both short and long term

Breakout room with Ben – Solution #2

Do you have energy for, or interest in working on this solution in 2023? If so, please share your name and how would you want to be involved?

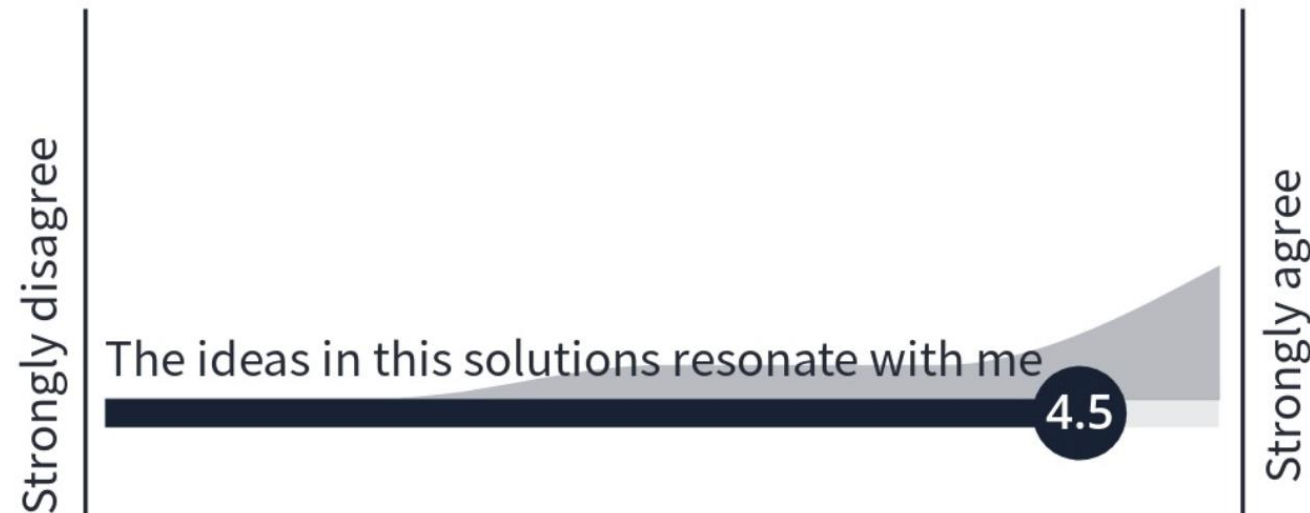
Yes. Mary T

Yes- Paul Williams & PPL

Yes and can help w/others too. Tim Marx

Breakout room with Ben – Solution #2

To what degree do the ideas in this solution resonate with you?



Breakout room with Ben – Solution #6

Would you rate this solution as more transformational or transactional (or somewhere in between)?

Much more transformational especially if at scale

Ditto

Transformational

Transformational for individuals

In between. I'd like to know more about this solution to develop wealth in comparison to other wealth building solutions.

Transofrmational

Breakout room with Ben – Solution #6

What work is already happening on this solution, if any?

Should look at the work being done by Fannie and Freddie on their Equitable Housing Finance Plans

UBI at a different scale and tied to renters

Breakout room with Ben – Solution #6

Would you prioritize this solution as short- or long-term? Why?

I would prioritize it as short to make sure the building renter wealth doesn't get lost.

Work on this should start in the near term, but impacts will be long term if it's successful

Long term

Both - curious which owners or property managers are already using credit reporting platforms for rent payments

Long term solution, although it should be a priority.

Someone from Model Cities

Breakout room with Ben – Solution #6

Do you have energy for, or interest in working on this solution in 2023? If so, please share your name and how would you want to be involved?

Yes for LISC but maybe another staff

Someone from Model Cities

Minimal- although Henry Rucker from PPL, who is on the homeownership side, could provide useful input.

Ditto FHF

Suggest reaching out to Family Housing Fund on this one

Breakout room with Ben – Solution #6



APPENDIX D

Homeownership

Mentimeter Results

I like, I wish, What if, I wonder

I wonder how far below market interest rates will be?

I don't like the 600 score how was this determined based on previous meetings

Breakout room with Brooke (First Mortgage)

I like, I wish, What if, I wonder

I like that our solutions are race based and that they are grounded in data.

I wonder how we can make these programs sustainable in perpetuity.

I like that they are race-specific and not just using income as a proxy for race

I wish the back end DT I was higher

I like the conversation about DP funds for BLACK homeowners, I wish we can make this happen in real time and not allow years to pass with no real progress or product, What if we start with a small trial in the next 6 months, I wonder WHEN

For first mortgage— the debt ratios proposed will exclude many black homebuyers. Back end ratio should be 45 and flexible for student loan debt.

I wish private financing includes grants as well.

I like that we have a thorough pro-type to respond to.

We should be explicit about targeting African American black homebuyers.

Breakout room with Julie and Ellen (First Mortgage)

I like, I wish, What if, I wonder

I wonder if these loans are saleable to GSEs or FHA.

Back-end ratio should match FHA.

I wonder how to best frame this to banks so they go for it

Interest rate needs to be below market. The low rate environment has masked affordability crisis.. we need a below arm ELT rate 3.5 to 3.75.

I like The flexible, manual underwriting

Would be helpful to know what GSEs are willing to purchase, if they will be buying special purpose loans. That would drive our product.

I wonder what other supports are needed for implementation (eg training on bias, etc)

I like that Black homebuyers are being specifically offered a product.

I like the manual underwriting

Breakout room with Julie and Ellen (First Mortgage)

I like, I wish, What if, I wonder

What if this does not turn out a product how will people feel especially the community will we lose trust even more

I wish it did not include credit limitations.If for Black then be for Black without traditional restrictions

What if we could have options to choose conventional mortgage at a lower credit score

I like that there are an alternate ways of looking at credit score now

I wish we had a more concrete way of vetting credit scores

I like it

(Correcting previous comment error—not ELT but “below market interest rate”

I wonder why it took George Floyd getting killed on video to make more people wake up and truly put this out front around the wealth gap via homeownership

Short answer

Breakout room with Julie and Ellen (First Mortgage)

What excites you about this prototype?

Race based focus

We are having the conversation and pen has been put to paper - real conversations

Product uniformity

Doing something different and specific to foundational Black people. Flexible underwriting

Portfolio loan

Set up to help BLACK homeownership

Flexible underwriting

Interest rate consciousness

Regional approach

Breakout room with Julie and Ellen (First Mortgage)

What concerns you about this prototype?

Lender willingness

Ratios

Credit score

Will it revert back to business as usual

Not GSE salable

What is the long term goal after 11,000 families

Credit. Traditional requirements.

AMI

Portfolio only product.

Breakout room with Julie and Ellen (First Mortgage)

What concerns you about this prototype?

Are we helping the Black buyer or setting a lower bar that will cause damage later

Is manual underwriting standard for all that participate

What defines a BLACK family

An alternative pathway than credit score. Find a path forward for people who do not have a credit score or below a certain credit score.

Owner-occupancy requirement

Minimum investment by the buyer

In addition to credit scores, we need an alternative credit path (so if someone has a credit score below minimum, we pay attention to recent rental payment over the most recent year or two)

Are we looking at household income or mortgage applicant income only

Are we mentally restricted by where we are today (and not pushing too far). Are we measuring success by success of individual or success of banks getting repaid

Breakout room with Julie and Ellen (First Mortgage)

What concerns you about this prototype?

All bank CRA programs

Education

Nothing—Habitat

Breakout room with Julie and Ellen (First Mortgage)

What existing efforts align with this prototype?

All bank CRA programs

Twin Cities Habitat for Humanity.

TC Habitat

All network providers under MN HOC

Private donors who have given money to a non-profit to help with DP funds

Ramsey county first home dpa

Other special purpose loan programs by commercial banks

9000 Equities

Other cdfis programs

Breakout room with Julie and Ellen (First Mortgage)

What existing efforts align with this prototype?

All bank CRA programs

Twin Cities Habitat for Humanity.

TC Habitat

All network providers under MN HOC

Private donors who have given money to a non-profit to help with DP funds

Ramsey county first home dpa

Other special purpose loan programs by commercial banks

9000 Equities

Other cdfis programs

Breakout room with Julie and Ellen (First Mortgage)

What part of this prototype will your organization have the hardest time getting behind?

None - HRA

Trusting the process

Ramsey county - none

Nothing-ULTC

Risk vs value prop - Associated Bank

Will something really launch or will it die on someone's desk

Lower interest rate - Huntington

Will banks leave turf wars behind.

Can government guarantee these mortgages to de-risk it for banks

Breakout room with Julie and Ellen (First Mortgage)

What non-capital issues should this prototype consider?

Extensive education pre and post purchase

Education post purchase

Education post purchase

Education post purchase BUT this is an issue already for anyone and everyone and especially Black people, regardless of income or credit

Post-purchase stewardship

Outreach/ consumer confidence

CRA obligations

Outcomes and reporting - how are we doing over time

Consider how to add originators (CDFIs governments) if the banks hit their balance sheet or CRA cap

Breakout room with Julie and Ellen (First Mortgage)

What equity gaps may exist within the solution that need to be addressed?

Access, opportunity, education, participation, income	Income, ami, credit scores	Income/AMI/credit scores
Credit scoring system	Income	Income, savings
Household Income	DTI ratios	Debt

Breakout room with Julie and Ellen (First Mortgage)

What equity gaps may exist within the solution that need to be addressed?

Home appraisal equity

Savings - no asset limit

Issue of loan denials - data show black households denied stop shopping for other loans, stop their journey.

Go to 120% ami

I like flexibility as much as we are able. Do we agree these have to meet ability to repay? I would advocate yes.

Decide whether it should be household income focus or individual income

Skip

Breakout room with Julie and Ellen (First Mortgage)

I like, I wish, What if, I wonder

I like up to 20% down; layering; forgivable component; used as needed (flexibility)

Something

I wish The AMI was higher

Higher ami

I wish it was race based.

I like up to 20% of purchase price

I like the flexibility “used as needed”

I wonder why the \$50k cap with target incomes being so low

I wish the AMI was higher

**Breakout room with Julie and Ellen
(Homebuyer Financial Assistance)**

I like, I wish, What if, I wonder

What if there isn't a need for a first mortgage, how can this product be accessible to foundational Black people?

I wonder Is there a limit to layering

I wonder how this connects to other DPA programs

I like layering with other programs and funds.

I like that It can be used to payoff debts

I like that it can be used flexibly (eg to pay off student loans)

I wish the Ami was higher

I wish 100% was forgivable

I like that the manufactured homes are allowed

Breakout room with Julie and Ellen (Homebuyer Financial Assistance)

I like, I wish, What if, I wonder

I hope the first mortgage interest rate is low enough to maximize this subsidy. A 1% increase in mortgage has an impact of \$15-20K more needed in subsidy.

Why is 50% repayable?

I wish we would have banks commit now so we know who is in

I like re-subordination is a possibility

I wonder what success looks like

The option to payoff debts

I wonder if the assistance could exceed \$50000

I like re-subordination—supports homeowners on their whole homeownership journey not the first home only.

Breakout room with Julie and Ellen (Homebuyer Financial Assistance)

What excites you about this prototype?

The option to pay other debts

I wish it is all grants

A product that works with other subsidies

Forgivable; flexible; up to \$50K

forgivable grant

The option to payoff debts

Forgivable

Forgivable

Layer with other grants

**Breakout room with Julie and Ellen
(Homebuyer Financial Assistance)**

What excites you about this prototype?

Debt payoff listed on the ALTA

Skip

Buyer above ami requirements will be excluded

Only 50% is forgivable

It's not high enough to get people into homes that they want

**Breakout room with Julie and Ellen
(Homebuyer Financial Assistance)**

What concerns you about this prototype?

AMI limit. Tied to first mortgage only.

How is the repayment happening?

Not 100% forgivable

Assistance capped at \$50,000. Why not higher if available?

Max assistance in DP funds

What do we know of how long black homeowners stay in their home? That could inform the repayable portion.

DTI

What's the max LTV loan limit

Why do investors need this back? You earn profit on the mortgage side!!

Breakout room with Julie and Ellen (Homebuyer Financial Assistance)

What concerns you about this prototype?

Who is the ideal buyer - families (Black)

Only 50% is forgivable

Assistance is not enough to bridge the gap between what a buyer qualifies for versus the home sales price

Don't let philanthropy take the risks off of lender shoulders. Let philanthropy focus on THIS...

What happens on a refinance or home improvement loan

The assistance is not enough to bridge the gap between what a buyer qualifies for versus home sale prices

How you structure forgiveness can influence people's actions

Subsidy has to be 0% interest rate

Breakout room with Julie and Ellen (Homebuyer Financial Assistance)

What existing efforts align with this prototype?

TC Habitat

Bloomington HRA

Ramsey County

Ramsey County; Bloomington;
Habitat

9000 Equities

MHFA insect funds although they
are not race explicit like this

Ramsey County DPA

HOM (City of Minneapolis)

Twin Cities Habitat

**Breakout room with Julie and Ellen
(Homebuyer Financial Assistance)**

What existing efforts align with this prototype?

City-based programs like
Bloomington, Woodbury

Closing cost assistance grant -
Huntington

Associated Bank Path Grant

All MN HOC network

The portion of the dpa that has to
be repaid

**Breakout room with Julie and Ellen
(Homebuyer Financial Assistance)**

What part of this prototype will your organization have the hardest time getting behind?

Nothing - HRA

Being non forgivable

The repayable portion. That's not equity building for the black community.

The alternative and flexible underwriting -Associated Bank

Stop trying to make a margin on the backs of black folk.

Repayment could be - a percentage forgiven overtime would be nice

Breakout room with Julie and Ellen (Homebuyer Financial Assistance)

What non-capital issues should this prototype consider?

True needs of foundational Black people based on current, disaggregated data

Education

Commitment

Competition—access to DPA is used to funnel clients to specific products.

Community investment

Affordability gap and \$50k limit

I love forgivable option

**Breakout room with Julie and Ellen
(Homebuyer Financial Assistance)**

What equity gaps may exist within the solution that need to be addressed?

See news of subsidy

Is the assistance enough relative to the house prices and housing available.

Unwillingness for funders to see the legal path forward for this to be explicitly race-focused solution

That was supposed to be deepness of subsidy

Confusion in how to access the DPA—stops people searching.

Skip

Limits on income, assistance amounts.
Need for pre, ongoing and post education

Market conditions.

Breakout room with Julie and Ellen (Homebuyer Financial Assistance)

I like, I wish, What if, I wonder

Post-purchase education support to go with the home preservation idea.

I wish there was more detail about what post closing entailed

I like that it focuses on success post-purchase

I like it - money, forgivable, post purchase resource. I wonder if it wasn't tied to the first mortgage product?

I LOVE THIS!!!!

**Breakout room with Julie and Ellen
(Homeownership Preservation Fund)**

I like, I wish, What if, I wonder

I like the idea that one product will be ubiquitous — no wrong door.

Preservation Fund

I like a common platform across lending institutions with the flexibility needed to serve black households

I wonder if we need some kind of a loan guarantee for the secondary market. It's not clear how lenders interests are covered without that.

I wonder if Black borrowers will be “steered” into this program even if they need no assistance.

A fresh approach to using current infrastructure to solve a real problem

I wonder what the incentives are for mortgage lenders to participate.

I wonder if the GSEs will buy in (literally).

Breakout room with Ben and Julia (First Mortgage)

What excites you about this prototype?

1

Standardization

The ways that it's different - as listed by Bill and Dondi.

Special Purpose Credit Program based on consumers race rather than census tract!

It is a special purpose credit program designed to meet an unmet needs through flexible underwriting.

Consumer race focus instead of LMI census tracts.

Allows for many “doors” for borrowers to access. No wrong door

Preservation Fund for sustainability

Commitment to serving 11,000 Black families.

Breakout room with Ben and Julia (First Mortgage)

What excites you about this prototype?

Allowing for 100% AMI

Creates some value -based consistency across lenders.

A fresh approach that uses current infrastructure to solve real problem

Looking forward to the dialogue we'll have with the lender participants in exploring what's possible.

Recognition of how confusing and problematic current system is

Standards across lenders

Ubiquitous

I like the large role of the existing mortgage lending system (I wonder if they will buy in).

Does it support the the development of LMI census tracts

Breakout room with Ben and Julia (First Mortgage)

What excites you about this prototype?

S

Intentionality of it

Certain details could be adopted that will make loans unable to be purchased on the secondary market.

Standardization of lending practices



Breakout room with Ben and Julia (First Mortgage)



What concerns you about this prototype?

Where resources for DPA and affordability gap will come from

Will black borrowers be steered here, regardless of need?

Secondary market outlets

Will GSEs buy in (literally)?

Seems like there are major hurdles to overcome within lending system.

Do lenders have staff capacity for manual underwriting?

As it sounds like it is structured, it will likely be driven by and controlled by larger banks who can fund loans, limiting effectiveness.

Census tract to broad

Accountability and measuring success, troubleshooting obstacles along the way. Who is holding this?

Breakout room with Ben and Julia (First Mortgage)

What concerns you about this prototype?

Will existing sources of DPA yield to the consistency vs providing customized programs for their residents?

Need data that will really demonstrate how each recommendation will drive the desired impact. Just Creating the product will require investment.

Servicing challenges for the lenders

Servicing concerns

Loan performance

Prototype Program consistency among Banks/Lenders

Will there be enough lenders in the right places to reach the folks we are seeking to reach?

Funding Units of 1-4 is a concern. 1-2 is less risky for the consumer

Certain details will be added that make it difficult to sell these loans on the secondary market.

Breakout room with Ben and Julia (First Mortgage)

What concerns you about this prototype?

Driving a standard product across lenders who don't have capacity to deliver against the standard set of requirements

TD Bank SPCP

Resources involved to support manual underwriting or other aspects of the process

Building a pathway that allows for both portfolio solutions and secondary market supported transactions

Chase SPCP

Without process engineering support to create a model that lenders can respond to we are going to experience inefficiencies and slowdowns affecting time to commercialization.

Creating a blanket approach that doesn't address the stratified needs of the community we seek to serve.

Helping prospective homeowners understand how to engage



Breakout room with Ben and Julia (First Mortgage)

What existing efforts align with this prototype?

MHFA lending

Twin Cities Habitat for Humanity, Build Wealth, other SPCP CDFI initiatives across the country

Local bond-backed mortgage lending (do the cities still do this?)

This is what we are doing with our SPCP st Habitat

TD Banks

TD Bank SPCP

Existing SP CPs

Chase SPCP

Ability to continue to layer DPA programs

Breakout room with Ben and Julia (First Mortgage)

What existing efforts align with this prototype?

1

Wells Fargo's efforts re: SPCP development

There are many.



Breakout room with Ben and Julia (First Mortgage)

What part of this prototype will your organization have the hardest time getting behind?

Manual underwriting

Requiring Portfolio'd loans across the board

What is the impact of the SPCP on CRA lending for regulated banks?

Shared equity models

If this first mortgage program is limited to lenders who are able to portfolio these loans and meet all of the underlying requirements mentioned by Dondi and then need to opt-in - group will likely be small.

Interest rate



Limits on the tools lenders have to address cost and affordability

None

Breakout room with Ben and Julia (First Mortgage)

What part of this prototype will your organization have the hardest time getting behind?

Systemic biases associated with the current criteria that haven't been addressed by this work (think Fed analysis of approval disparities)

Breakout room with Ben and Julia (First Mortgage)

What non-capital issues should this prototype consider?

Outreach

Process

1

Breakout room with Ben and Julia (First Mortgage)

What equity gaps may exist within the solution that need to be addressed?

What about other groups who face challenges as large as Black borrowers? (Eg Native borrowers?)

Lenders providing this program that do not represent the community served.

Determining “black” households

Steering

Access! What to do if we don't succeed in creating 'no wrong door'.

Née more Lending professionals of color

Is this target 600 loans? The homeownership gap is thousands of families What's the plan for scale and transformation?

The potential results of manual underwriting

Building out Business Development tools for participating lenders The how to's

Breakout room with Ben and Julia (First Mortgage)

What equity gaps may exist within the solution that need to be addressed?

outreach and connecting with Black families for this product

Breakout room with Ben and Julia (First Mortgage)

I like, I wish, What if, I wonder

Will some potential homeowners resist this solution due to Islamic prohibitions on paying interest?

I like the amount - Up to 20% of the purchase

I like that at least half is forgiven - promotes equity building

How homeowners access funds? What's the process?

I wish homebuyer assistance could be integrated with 1st mortgage application = 1 application !

I wonder where all of these grant funds will come from

I like that layering is permitted

I wonder how you will determine the "may be used as needed"

I like the preservation fund concept. I wonder how we link it to lender and non-lender services aimed at home preservation

Breakout room with Ben and Julia (Homebuyer Financial Assistance)

I like, I wish, What if, I wonder

I like the financial assistance prototype. I wonder who will administer the funds, will there be enough capacity to handle them and how administratively difficult will it be to obtain?

The amount - providing up to 20% in purchase price

Forgivable nature

I wonder how we create broadly accessible information regarding DAP and homebuyer assistance that ensures everyone has the same data and requirements

Breakout room with Ben and Julia (Homebuyer Financial Assistance)

What excites you about this prototype?

Up to 20%

50k

Forgivable nature

We need an appropriately large pool of DPA!

It addresses building Black wealth through homeownership!

That it is Homebuyer vs Down payment assistance

The mix of sources

Instant equity

Coordination across the board can help address risk

Breakout room with Ben and Julia (Homebuyer Financial Assistance)

What concerns you about this prototype?

Is there enough \$\$\$ for forgivable loans?

Potential underwriting overlays required by funders

Need to connect the preservation dollars to lender servicing models.

It would be great if the DPA could be household based and portable for those homebuyers who move into their 2nd home as their household's needs change

Need to ensure layering opportunities.

How the paying off of debt would work

Will there be income targeting on forgivable loans?

Source of funds and capacity to lend

Homeowners need ability to refi and keep dpa.

Breakout room with Ben and Julia (Homebuyer Financial Assistance)

What equity gaps may exist within the solution that need to be addressed?

Will some potential homeowners be challenged because of Islamic prohibitions on paying interest?

What are the neighborhood implications?

Will there be enough potential purchases to meet the goals?

How are interracial marriages addressed on all 3 prototypes

Breakout room with Ben and Julia (Homebuyer Financial Assistance)

I like, I wish, What if, I wonder

I wonder if there are enough
sources for forgivable DPA.

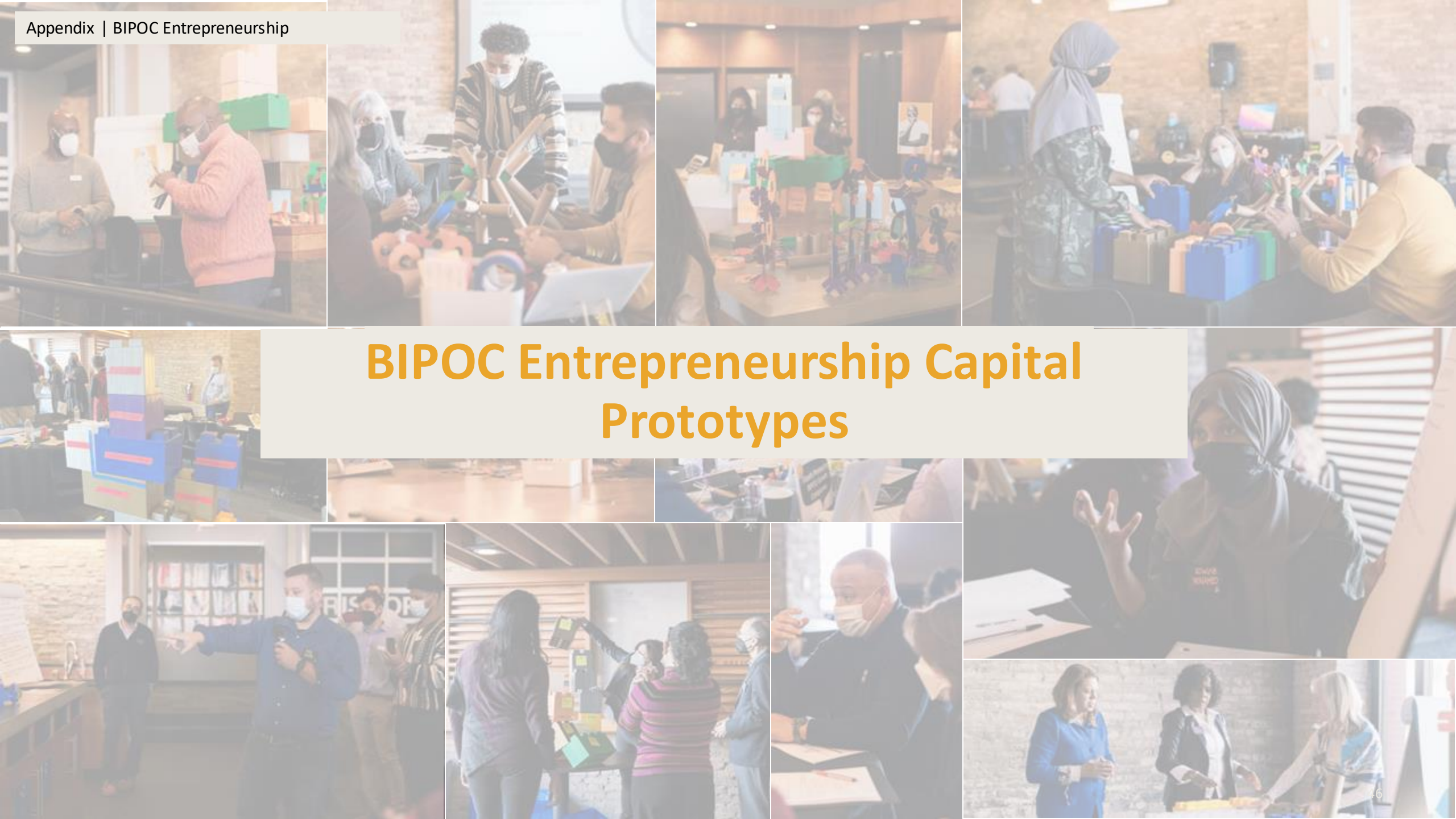
**Breakout room with Ben and Julia
(Homeownership Preservation Fund)**





APPENDIX E

Capital Prototype Descriptions



BIPOC Entrepreneurship Capital Prototypes

Characteristics of Draft Capital Prototype #1

Start-up Grants/Forgivable Loan

<p>What is the capital ‘pain point’ that the prototype is trying to solve?</p> <p>BIPOC-owned companies have fewer access points to necessary seed capital from “friends and family” than white-owned companies, due in part to historical and current systems of exclusion that have resulted in a racial wealth gap.</p> <p>There is an uneven pool of resources and government support for BIPOC-owned companies (as evidenced by the Paycheck Protection Program distributions).</p> <p>BIPOC-owned businesses suffer lower home ownership rates and undervalued real estate to provide collateral for business credit, which may be borne of appraisal racial discrimination.</p>	<p>What are the essential elements of the prototype?</p> <p>Grant to duly formed business for inventory purchases, marketing/e-commerce platforms, and/or pay for staff and other start-up costs.</p> <p>Obtained with a viable business proposal without years of successful operating history. “Nimble and non-restricted” grant does not require personal guarantees/collateral or credit checks.</p>	<p>Who would be the most likely source(s) of capital flowing into this solution?</p> <p>Government and philanthropy (foundations, corporations, and individuals).</p>	<p>What systems need to change and how do roles need to shift in order for this set of prototypes to be successful?</p> <p>Financial institutions provide mainstream capital and build road to products as commodity.</p> <p>Philanthropy, private corporations, and governments unlock mainstream capital by building a road to regionwide, structured guarantee mechanism.</p> <p>Private investors, corporations, philanthropy, and governments unlock mainstream capital by building a region-wide patient, low-cost capital structured mechanism.</p> <p>Philanthropy unlocks mainstream capital by building a regionwide grant mechanism.</p>
	<p>How would capital solution work?</p> <p>Grant of up to \$50,000 to BIPOC entrepreneurs who:</p> <ul style="list-style-type: none">• (a) Submits a GBC ‘Common Application’• (b) Obtains a letter of recommendation from a local ecosystem-based TA provider stating that their organization has reviewed the common application and believes the entrepreneur’s plan and revenue projections are reasonable.	<p>How much capital would you want to have available for this prototype?</p> <p>\$250,000,000 to support 5,000 BIPOC entrepreneurs with \$50,000</p>	



Summary of start-up grants/forgivable loans

Source of Capital



Government and philanthropy pool \$250 million to support 5,000 Black entrepreneurs with flexible \$50,000 start-up grants or forgivable loans

Process for Entrepreneur



Entrepreneur submits a GBC "common application"



Entrepreneur obtains a letter of recommendation from a local ecosystem-based TA provider stating that their organization has reviewed the common application and believes the entrepreneur's plan and revenue projections are reasonable

Outcomes



The government or philanthropy partner awards the capital of up to \$50,000 for start-up costs like inventory purchases, marketing and e-commerce platforms, payroll, etc.

The entrepreneur avoids prohibitive interest rates and burdensome fees early in their business's operating history

Not required for grant or loan:

- Three-year history of successful operating history required
- Personal guarantee (collateral)
- Credit check



Characteristics of Draft Capital Prototype #2

Early-Stage Debt for Business Stabilization

What is the capital "pain point" that the prototype is trying to solve?

Access to bank lending and uncertainty of approval for BIPOC entrepreneurs. Federal Reserve research that show that 80.2% of white business owners receive at least a percentage of funding requested from a bank, compared to 66.4% of BIPOC business owners.

Address collateral barriers by tying entrepreneurs' requirements solely to business assets and/or enabling unsecured lending.

Eliminate higher rates/less favorable terms often faced by BIPOC-owned businesses.

What are the essential elements of the prototype?

Each loan would be secured with credit enhancement/guarantee equal to {50%} of outstanding loan amount

How would capital solution work?

Participating lenders would provide the \$50,000 to \$250,000 business loan, with simplified underwriting, with an accompanying GBC loan guarantee.

7-year term, prime rate of interest, interest-only payments for 36 months.

- Collateral is any business product or property, if exists.

Year of operating experience with business plan that shows sufficient cash flow to realistically pay back loan.

Who would be the most likely source(s) of capital flowing into this solution?

Lenders (financial institutions and CDFIs) would be expected to provide business loans.

Guarantees would be issued by GBC based on guarantee mechanism created with government and philanthropic resources.

How much capital would you want to have available for this prototype?

\$312,500,000 in order to provide bank lending and \$162,250 guarantee support for 2,500 Black entrepreneurs (assumes loss rate 50% and average loan amount of \$50,000-\$250,000)

Additional Context

Guarantees/credit enhancements are intended to be a bridge to permanently changed credit policies. Parties would agree, up front, on a timetable and set of key performance indicators (KPIs) that if met, would reflect that there is no material difference with performance of similar loans provided without the guarantees. At that time, substantially the same loan product would be available without the guarantee.



Summary of early-stage debt for business stabilization

Source of Capital



Participating lenders (financial institutions and CDFIs) would provide the \$50,000 to \$250,000 business loan, with simplified underwriting, with an accompanying GBC loan guarantee

Process for Entrepreneur



Entrepreneur goes through application process to show 1 year of business history through tax returns, realistic cash flow projections, and business owned collateral if any exist



GBC loan partner reviews application

Outcomes



Entrepreneur gains access to \$50,000-\$250,000 in loan funding for a 7-year term, with a prime interest rate. Interest only payments for 36 months.

Not required for loan:

- Personal collateral
- Sub-prime interest rates



Characteristics of Draft Capital Prototype #3

Debt for Later-stage Growth

What is the capital ‘pain point’ that the prototype is trying to solve?

Access to bank lending and uncertainty of approval for BIPOC entrepreneurs. Federal Reserve research shows that 80.2% of white business owners receive at least a percentage of funding requested from a bank, compared to 66.4% of BIPOC business owners.

Address collateral barriers by tying entrepreneurs’ requirements solely to business assets and/or enabling unsecured lending.

Eliminate higher rates/less favorable terms often faced by BIPOC-owned businesses.

What are the essential elements of the prototype?

Each loan would be secured with credit enhancement/guarantee equal to {25%} of outstanding loan amount

How would the capital solution work?

Participating lenders would provide the \$250,000 to \$1,000,000 business loan to accelerate the growth and expansion of BIPOC-owned businesses.

Standard financial institution business lending eligibility requirements

BIPOC-owned business with at least two years of operating history can apply for loans to refinance existing debt, purchase equipment, lease or buy new space, hire a new employee, or attain working capital to expand product or service offerings aiming to position the business for long-term success.

Who would be the most likely source(s) of capital flowing into this solution?

Lenders (financial institutions and CDFIs) would be expected to provide business loans.

GBC would issue guarantees based on a guarantee mechanism created with government and philanthropic resources.

How much capital would you want to have available for this prototype?

\$625,000,000 in loans and credit enhancement of \$156,250 in order to provide guarantee support for 500 Black entrepreneurs (assumes loss rate of 50% and an average loan amount of \$250,000-\$1,000,000)

What systems need to change and how do roles need to shift in order for these prototypes to be successful?

Financial institutions provide mainstream capital and build road to products as commodity

Philanthropy, private corporations, and governments unlock mainstream capital by building a road to regionwide structured guarantee mechanism

Private investors, corporations, philanthropy, and governments unlock mainstream capital by building a regionwide patient, low-cost capital structured mechanism

Philanthropy unlocks mainstream capital by building a regionwide grant mechanism

Additional Context

Guarantees/Credit enhancement are intended to be a bridge to permanently changed credit policies. Parties would agree up front on a timetable and set of key performance indicators (KPIs) that, if met, would reflect that there is no material difference with performance of similar loans provided without the guarantees. At that time, substantially the same loan product would be available without the guarantee



Summary of debt for later-stage growth

Source of Capital



GBC participating lender and CDFIs would provide the \$250,000 to \$1,000,000 business loan to accelerate the growth and expansion of BIPOC-owned businesses with an accompanying GBC loan guarantee

Process for Entrepreneur



Entrepreneur goes through application process to show 2 years of operating history through tax returns, realistic cash flow projections, and business-owned collateral



GBC loan partner reviews application



Outcomes



Entrepreneur gains access to \$250,000-\$1,000,000 in loan funding for a 7-year term, with a prime interest rate. Payments are interest only for 36 months.

Not required for loan:

- Sub-prime interest rates

Other Elements:

- Technical assistance providers
- Sustainable network of lenders





Commercial Development Capital Prototypes

Characteristics of the Draft Capital Prototype

An Integrated System of Capital

How would the capital solution work?

Senior debt All GBC participating financial institutions would provide this loan for at least 60% of the cost. This is done with understanding that the risk is mitigated by a 10% guarantee and the certainty of the remaining 35% from the junior debt.

There appears to be energy among financial institutions to explore designing a mechanism to risk share in this senior debt and reduce the overall risk even further.

Senior terms: 10 years, 25-year amortization, market-rate interest, uses 5-year stabilization point.

How would the capital solution work?

Junior debt Capital for the junior debt is provided from the evergreen fund. The purpose of the junior debt is to reduce the uncertainty of securing full financing and providing the flexibility to stabilize over 10 years.

Junior terms:

- 10 years
- 25-year amortization
- Below-market interest (2%-7%) which can adapt to fit the project's maturity even use revenue-based approach to repayment
- Uses 5-year stabilization point.
- Can delegate underwriting to community partners, financial institutions, CDFIs
- May serve as a clearinghouse that houses the capital, match-makes Black developers with development team expertise and technical assistance

How would the capital solution work?

Evergreen Fund proceeds fund Junior Debt

Investors with patience (10-year term) seeking a blend of social (growth of Black developers and community-desired commercial developments) and financial returns (market rate). Could be raised in multiple ways, e.g., bond proceeds, private investment fund

Investments secured with credit enhancement equal to 20% of outstanding funds. Credit enhancement provided by GBC-created mechanism.

How would the capital solution work?

Developer Equity Requires 5% developer equity, sourced from recoverable grants, their own cash, or another institutional vehicle

Developer would have to give or get at least 3% of their equity. The remaining 2% would be available from GBC grant source

Additional Context

Guarantees/Credit enhancement are intended to be a bridge to permanently changed credit policies. Parties would agree up front on a timetable and set of key performance indicators (KPIs) that if met, would reflect that there is no material difference with performance of similar loans provided without the guarantees. At that time, substantially the same loan product would be available without the guarantee



Characteristics of the Draft Capital Prototype

An Integrated System of Capital Cont.

What is the capital "pain point" that the prototype is trying to solve?

- Lack of patient, flexible, and consistently available capital to fund soft and hard costs
- Lack of personal wealth/assets and personal relationships for debt and equity investment partners
- Restrictive and exclusionary underwriting process
- Tax incentive and grant financing is complex, inaccessible, inconsistent
- New climate change expectations create additional project costs on top of an inability to fund current developments
- Government projects disproportionately go to large, white, established developers with deep pockets
- Too many different funding sources to pursue with low chances of success

What are the essential elements of the prototype?

- Together, this integrated product is meant to give the developer **greater certainty** of financing and **provide up to 10 years to stabilize the property**, including flexibility on interest payments as it stabilizes
- Product terms are available on the condition **both are used in conjunction**
- Product does not require personal guarantees
- **Senior loan** would be at least 60% of the cost and require 10% credit enhancement from guarantee pool funded by foundations
- **Junior loan** is funded with proceeds from evergreen fund capitalized by impact investors.
- Evergreen Fund will require 25% credit enhancement from guarantee pool funded by Foundations
- Third-party financier and senior lender **coordinates legal and underwriting to share costs** across applicants
- **Developer's business model** generates more in profits than expenses on an annual basis
- **Third-party financier "clearinghouse"** houses capital, matchmakes developers with development team expertise, and provides technical assistance (programs and funding)

What non-capital elements need to be addressed for maximum effectiveness?

- Streamlined financing across all tranches to save time, money, risk
- Coordinated site acquisition and land banking with local governments and partners
- Maximum use of complementary financing mechanism:
 - PACE: property assessed clean energy
 - TIF
 - Green Bank, once developed
- Matchmaking of experienced development teams and technical assistance

Who would be the most likely source(s) of capital flowing into this solution?

Traditional banks, philanthropy (foundations, corporations, and individuals), social good-driven investment funds and investors, government.

How much capital would you want to have available for this prototype?

Total Capital: \$360M to finance 95% of development project cost for 60 neighborhood projects averaging \$5M in development cost.

- Senior Debt: \$180M
- Junior Debt: \$105M
- Guarantee: \$54M
- Grants: \$6M
- Developer Equity \$9M

How do roles need to shift in each sector to make this solution successful?

Financial institutions provide mainstream capital and build road to products as commodity

Philanthropy, private corporations, and governments unlock mainstream capital by building a road to regionwide structured guarantee mechanism

Private investors, corporations, philanthropy, and governments unlock mainstream capital by building a regionwide patient, low-cost capital structured mechanism

Philanthropy unlocks mainstream capital by building a regionwide grant mechanism



Characteristics of the Draft Capital Prototype

An Integrated System of Capital Cont.

What is the capital "pain point" that the prototype is trying to solve?

- Majority of community-desired, commercial developments are neighborhood projects
(\$0.5mm - \$10mm; < 30,000 sf)
- Black developers of these projects want to hold them for their business long term
- Developers have little equity, assets, and development experience and an inability to piece together multiple funding sources
- Developers have a revenue model and expect to have revenues exceed expenses, to put excess revenue back into the enterprise, and to pay debt
- The following have been obtained: predev. funds, technical assistance, site control, financial model, development team, AIAs and LOIs tendered
- They need time to develop property, build business, and stabilize both after construction
- They need a group of lawyers who are approved and agree to reasonable fees and streamlined timelines

What is the goal for this prototype?

An integrated system of capital that can efficiently package the financing needed for 60 Black-developed projects over the next three years and many more of the same character, in perpetuity

What is the integrated capital solution?

- First mortgage from financial institutions for 60% of costs
- Second mortgage from third-party financier for 35% of costs
- Second mortgage funded with proceeds from evergreen impact investment fund
- Owner/developer equity for 5% of costs (potentially with recoverable grant)

How would each element of the integrated capital solution work?

First Mortgage:

- Financial institution provides first mortgage for 60% of costs
- 10-year term, 25-year amortization, market-rate interest (7%)
- Underwrites at "stabilized" year 5, given third-party financier commitment of 35%
- Possibly evenly spread risk among other financial institutions

Second Mortgage:

- Third-party financier provides second mortgage
- 10-year term, 25-year amortization, 2%-7% interest
- Underwrites at "stabilized" year 5
- Can do debt or equity for 35% of costs (depending on owner intent)
- Can delegate underwriting to community partners, financial institutions, CDFIs
- May serve as a clearinghouse that houses the capital, matchmakes Black developers with development team expertise and technical assistance

Equity:

- Owner/developer give/get 5%
- They can possibly access recoverable grant funds for up to 2% (part of GBC-wide pool under construction) to supplement assets

Additional context

This defers to later GBC phases:

- Community-scale (30,000-50,000 sf) and anchor-scale (75,000+ sf) developments
- Capital prototypes to attract equity at scale more appropriate to larger-scale developments with more cash flow
- Products that mirror, more closely, CPDF and/or provide even longer-term financing (30-40 years) and even greater stability.



Summary of Integrated Capital Solution for Commercial Development

Sources of Capital



Banks and Foundations



Evergreen Fund and Foundations



Philanthropies, Nonprofits, and Government



Capital Products



First Mortgage

- 10-year term, 25-year amortization, 7%, 5-year stabilization point, per third-party financing
- 10% credit enhancement



Third-Party Financier

- 10-year term, 25-year amortization, 2%-7%, 5-year stabilization point
- 25% credit enhancement



Owner/Developer Equity

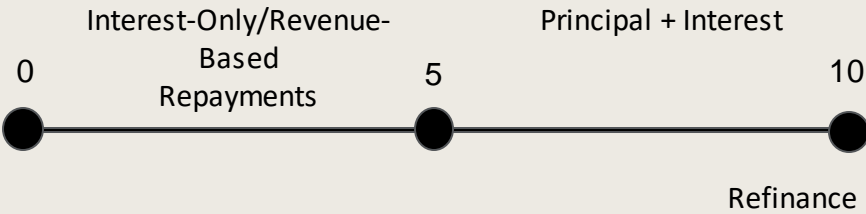
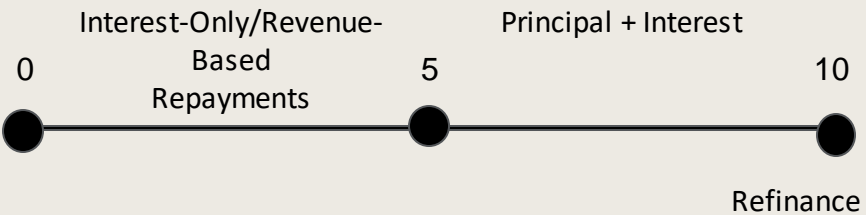
Proportion of Cost

60%

35%

5%

Repayment Terms





Rental Housing Capital Solutions

Characteristics of draft capital prototypes

Solutions that pave the way for Black renters to build wealth

Maximizing production of affordable rental housing through the existing system

Solution #1

- Streamlining the affordable housing development process and the flows of funds from financial institutions, philanthropy, nonprofits, and government in order to shorten timelines, limit uncertainty, lower costs, and unlock underutilized capital already in the system.

Solution #2

- Maximizing the use of state, county, city bonding authority and tax credits by unlocking low-cost, patient capital (10+ years, 0-3%) at scale

Providing additional and focused resources for deeper affordability

Solution #3

- Explore idea of state tax credits—additional tool to provide equity for affordable developments
- Distinct from federal LIHTC—purchaser can direct it to project of choice, can invest at much smaller levels

Solution #4

- Explore opportunities for PHAs to utilize Faircloth Authority for more Section 8 subsidies

Direct support of wealth building for Black renter households

Solution #5

- Rental subsidies for anyone below 60%—targeting Black households
- Address financial cliffs (instead of a cliff at 30% AMI, have subsidy available up to 60% AMI)—still a cliff, but at 60%, people have more choices

Solution #6

- Innovations to model how affordable rental housing can be harnessed to build wealth for households living there. Matched savings/renter equity fund, e.g. portion of rent goes toward savings account. Enterprise pilot around renters building equity over time through rent payments

Key: Boxes outlined in yellow indicate priority solutions for the current phase of GroundBreak Coalition





Homeownership Capital Prototypes

Characteristics of the Draft Capital Prototype

Key elements of the integrated capital prototype

What are the capital ‘pain points’ that the prototype is trying to solve?

- Lack of affordability due to income disparities, home prices, and interest rates
- Rate of mortgage denials due to credit score, debt-to-income ratio, and insufficient cash
- Disproportionate cost burden to Black borrowers due to risk-based pricing, mortgage insurance, and closing costs
- Mistrust and confusion due to differing underwriting standards and practices
- Failed solutions that have furthered the disinvestment of Black homebuyers and communities
- Limited access to capital to preserve homeownership

Homeownership Preservation Fund

Definition: Forgivable loans that enable existing homeowners to preserve their asset in an emergency or extenuating circumstances

- Post-closing resource for First Mortgage users to maintain and preserve their asset
- \$10,000 maximum forgivable loan

First Mortgage

Definition: Bank loan to purchase a home that is secured by the loan

- Credit score: minimum 600, considers compensating factors
- Loan limits: government-sponsored enterprise (GSE) conventional loan limits
- Borrower income: AMI, eligibility based on affordability
- Qualifying ratios: housing ratio $\leq 30\%$, debt ratio $\leq 40\%$
- Interest rate: addresses affordability and scarcity of grant resources for homebuyer financial assistance
- Underwriting: manual and flexible, e.g., rental history, alternative income and job tenure, student loan consideration
- Eligible properties: 1 to 4 units, shared equity, and manufactured homes
- Owner-occupied: property must be primary residence

Homebuyer Financial Assistance

Definition: Forgivable and repayable loans that enable homebuyers to secure the first mortgage, afford monthly payments and build wealth

- Must be used in conjunction with the first mortgage
- Up to 100% of AMI
- Up to 20% of purchase price not to exceed \$50K
- Half (50%) of the assistance is deferred at zero-interest loan due upon resale. The remaining 50% of assistance is forgivable over 5 years
- Allow layering with other programs
- Allow re-subordination for refinancing when in the best financial interest of the borrower
- May be used as needed (e.g. down payment, closing costs, credit repair, interest rate buy-down)
- Shared equity and manufactured homes allowable.



Characteristics of the Draft Capital Prototype

Key elements of the integrated capital prototype

Key mechanisms for success

- Race-based special purpose product for Black households
- Regional singular, universal product without originator-imposed overlays
- Homebuyer education and one-to-one advising are embedded as wraparound support to consumers

What are the essential elements of the prototype?

Package that includes:

- A special-purpose credit program for first mortgages targeted to Black households earning $\geq 50\%$ of AMI
- Homebuyer financial assistance that addresses both affordability and wealth building
- Regional Homeownership Preservation Fund to sustain long-term assets

Who would be the most likely source(s) of capital flowing into this solution?

- First mortgage: lending institutions
- Homebuyer financial assistance: private, corporate, foundation, and government grants; impact investments from private, corporate, foundations, and governments
- Homeownership Preservation Fund: private, corporate, foundation, and government grants

How much capital would you want to have available for this prototype?

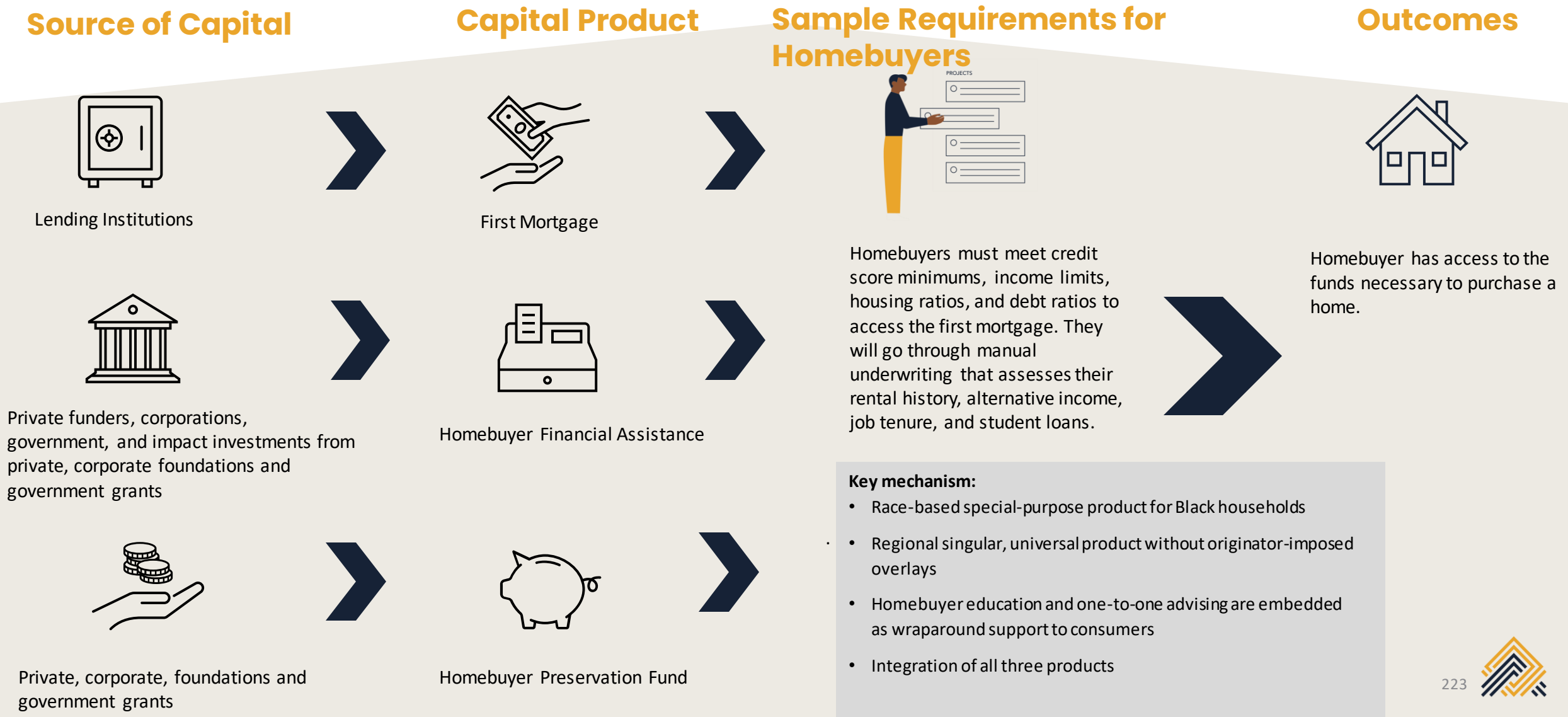
- First mortgage for 11,000 Black households targeted at 50-100% AMI will need \$3.2M
- Homebuyer financial assistance to address LTV and affordability will need \$312M in grants and \$312M in loans
- Homeowner Preservation Fund will need \$22M

What systems need to change and how do roles need to shift in order for this prototype to be successful?

- Financial institutions provide mainstream capital (with rate addressing affordability at a sustainable cost of funds) and build road to products as commodity
- Private investors, corporations, philanthropy, and governments unlock mainstream capital by building a regionwide patient, low-cost capital (below market rate, around 0-3%) structured mechanism
- Philanthropy unlocks mainstream capital by building a regionwide grant mechanism



Summary of Integrated Capital Solution for Homeownership





APPENDIX F

BIPOC-Owned Businesses: Ice Breaker Responses

BIPOC-owned businesses

A sample of workgroup members' favorite BIPOC-owned businesses

<u>Afro Deli</u>	Breakfast Bar	El Guanaco Bakery and Restaurant	Get Down Coffee Co.	Minuteman Press
Manny's Tortas	Mercado Central	Majani (Chicago)	Pimento Jamaican Kitchen	Sammy's Ave Eatery
Sebi Beauty Salon		The Coven		Victors 1959 Café

BIPOC-owned businesses

A sample of workgroup members' favorite BIPOC-owned businesses

Abogados Café	Bole	Black Women’s Wealth Alliance	Choose Love Minnesota	Devean George
Guavas Cuban Café	Get Down Coffee Co.	Pimento	Soul Bowl	Nadia Bakes
Real Life – Real Talk Massage Therapy	Red Sea	Kobi Co.	The Coven	Tri-Construction
	Ted Cook’s BBQ		Mama Sheila's House of Soul	

BIPOC-owned businesses

A sample of workgroup members' favorite BIPOC-owned businesses

<u>Afro Deli</u>	BlackBlue	Black Garnet Books	Cookie Cart	Golden Thyme Café
Handsome Hog	Pow Wow Grounds	Pimento Jamaican Kitchen	Maria’s Café	Roots Community Birth Center
MN Black Box	Thomasina's Brittle	The Dream Shop	The Camden Social	Tundra Ventures

BIPOC-owned businesses

A sample of workgroup members' favorite BIPOC-owned businesses

	<u>Brookside Barber</u>	Boludo	Capital View Café	C70 Builders	Cheng Heng	
Dimensions in Hair / The Connect	Du Nord Spirits	East Side Thai	Flava Café	Guavas Cuban Café	Golden Thyme Café	House of Soul
	Los Ocampo	NEOO Partners Inc.	Milton's	Pho Valley	Pimento Jamaican Kitchen	
	Roseline's Candles	Sammy's Ave Eatery	Smoke in The Pit	The Coven	The DREAM Shop	
			Thomasina's Cashew Brittle			