

Capital Prototypes



Homeownership

- First mortgage targeted for households targeted at >50% AMI
- Homebuyer financial assistance to address loan-to-value and affordability (1/2 forgivable; 1/2 repayable loan)
- Homeowner Preservation Forgivable Loan



Commercial Development

- Senior debt for 60% of costs with guarantee
- Junior debt for 35% of costs (funded with patient, low-cost capital and guarantee)
- Developer equity enhancement of up to 2%



Entrepreneurship

- Start-up Friends & Family Forgivable Loan
- Early-stage small business loan (\$50,000-\$250,000) with guarantee
- Growth-stage commercial loan (\$250,000-\$1 million) with guarantee



Rental Housing

- Very limited role for private capital for renter <40% AMI
- Exploring streamlining of process & short-term maximization of patient, low-cost capital as bridge
- Exploring innovations for building wealth through rental housing

Summary Of Start-Up Grants/Forgivable Loans For Entrepreneurship

Source of Capital



Philanthropies (all sources) and Government

Capital Product



\$50,000 start-up grants or forgivable loans

Process for Entrepreneur



Entrepreneur submits a GBC 'Common Application'



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



Entrepreneur gains capital for growth, jobs and wealth creation

Not required for grant or loan:

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

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Summary Of Debt For Early Stage Growth For Entrepreneurship

Source of Capital



Financial Institutions



Assets Pledged for Guarantees

Capital Product



\$50,000 To \$250,000 Business Loan, With Credit Enhancement

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.

Simplified underwriting, with an accompanying GBC loan guarantee.



GBC loan partner reviews application

Outcomes



Entrepreneur gains capital for growth, jobs and wealth creation

Key elements:

- Personal collateral not required for loans
- Regional race based special purpose product for Black households
- Requires technical assistance providers
- Requires sustainable network of lenders
- Singular, universal product without originator-imposed overlays
- Credit enhancement removed upon achievement of key performance indicators

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Summary Of Debt For Later Stage Growth For Entrepreneurship

Source of Capital



Financial Institutions



Assets Pledged for Guarantees

Capital Product



\$250,000 to \$1,000,000 Business Loan with Credit Enhancement

Process for Entrepreneur



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



GBC loan partner reviews application

Outcomes



Entrepreneur gains capital for growth, jobs and wealth creation

Key elements:

- Personal collateral not required for loans
- Requires technical assistance providers
- Requires sustainable network of lenders
- Regional race based special purpose product for Black households
- Singular, universal product without originator-imposed overlays
- Credit enhancement removed upon achievement of key performance indicators

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Summary of Integrated Capital Solution for Commercial Development

Sources of Capital



Financial Institutions



Assets Pledged for Guarantees



Low-Cost Patient Investors



Philanthropies (all sources) and Government



Developers' Equity

Capital Products



Senior Mortgage

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



Junior Mortgage

- Funded by patient, low cost capital
- 10-year term, 25-year amortization, 2% - 7%, 5-year stabilization point
- 25% credit enhancement



Owner/Developer Equity

- 2% possible from philanthropies and government

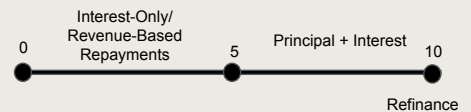
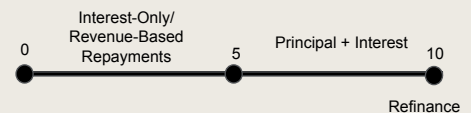
Proportion of Cost

60%

35%

5%

Repayment Terms



Key elements:

- Regional race based special purpose credit program for Black Developers
- Singular, universal product without originator-imposed overlays
- Integration of all three products
- Credit enhancement removed upon achievement of key performance indicators

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Summary Of Integrated Capital Solution For Homeownership

Source of Capital



Lending Institutions



Philanthropies (all sources) and Government



Low-Cost Patient Investors



Capital Product



First Mortgage



Homebuyer Financial Assistance loan



Homebuyer Preservation forgivable loan



Sample Requirements for Homebuyers



Homebuyers must meet credit requirements, and debt ratios to access the first mortgage. Flexible underwriting will assesses their rental history, alternative income, job tenure and student loans.



Outcomes



1. Homebuyer has access to the funds necessary to purchase a home.
2. Build wealth

Key elements:

- Regional race based special purpose product for Black households
- Singular, universal product without originator-imposed overlays
- Integration of all three products

- Homebuyer education and one-to-one advising are embedded as wraparound support to consumers
- Half of homebuyer financial assistance is forgivable, half is repayable

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Exploring Solutions That Pave The Way For Black Renters To Build Wealth

Private Capital's Role in Wealth Building for Black Renters

Through Streamlining Financing

- **Short Term:** Plentiful low cost, patient private capital is needed and can serve as bridge to long term streamlining between sectors. A small team of Working Group participants, with GBC support, would develop a capital prototype by 5/1/23 to meet this need; begin to catalyze changes in sectoral behavior; and be integrated into the larger, low cost, patient GBC financing vehicle under consideration.

- **Long Term:** Streamlining the affordable housing development process with financial institutions, philanthropy, nonprofits and government would free up millions of dollars annually for deep affordability. There is universal agreement on need & difficulty. Requires serious multi-sector commitment over 4-6 years and plan.

Through Direct Investment in Renter Equity Building

There was broad support for innovating in ways that would begin to position renting as a mechanism for building wealth. Ideally, this would lead to renters having reasonable opportunities to build up to \$25,000 in wealth as envisioned by the Homeownership WG's approach with homebuyer assistance.

While not a private capital specific prototype, a small team of Working Group participants, with GBC support, would develop a proposal, by 5/1/23, for piloting one or more approaches in this area. We envision that the transparency achieved through long term streamlining would be a source for funds to achieve this goal as well.

Government's Role in Wealth Building for Black Renters

Through Subsidies for Deep Affordability

There is no substitute for public dollars that don't have to be paid back in order to meet the goal of producing/preserving 24,000 units of deeply affordable housing needed to stabilize Black households.

While the role of private capital as defined in these pathways can leverage these resources, this goal will require an unprecedented commitment of state surplus, regular appropriations and local resources for subsidies for households below 60% AMI. This is especially the case for those living below 30% AMI and experiencing a destabilizing 'financial cliff' as their income rises modestly.

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



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