



REQUEST FOR PROPOSALS

Origination Partners for Commercial Real Estate

OPENS: November 7, 2024 | CLOSES: 5 p.m. CST, December 2, 2024

SUMMARY

GroundBreak Coalition is seeking up to five (5) origination partners to make special purpose credit program loans to contribute to building Black wealth through commercial real estate developments, including mixed-use neighborhood developments with housing and other business developments.

These origination partners (e.g., community lenders, CDFIs, and other financial intermediaries) are a crucial component of the GroundBreak new financial system. They will facilitate the flow of capital to developers who can build wealth for themselves and create equitable economic opportunities in underinvested communities.

Proposals are due by 5:00 p.m. CST on December 2, 2024. Submit your proposal, including attachments, **saved as one PDF**, to Erin Imon Gavin, egavin@groundbreakcoalition.org, cc'ing Ellen Ward Owen (wardee03@gmail.com).

1. Overview: GroundBreak Coalition

[GroundBreak Coalition](#) is a partnership of over 40 corporate, civic, and philanthropic organizations formed after the murder of George Floyd to close racial wealth gaps in the Minneapolis-St. Paul region over the next decade, with an initial focus on building Black wealth.

In 2022, GroundBreak participants identified a set of specific financial tools and products that, if broadly available, would advance racial wealth equity gaps through homeownership, entrepreneurship, and commercial real estate development.

These financial tools and products were designed to maximize access to plentiful, mainstream, private capital using traditional approaches to do so: guarantees to address perceived risks,

low-interest, long-term loans (low-cost patient capital), and one-time grant investments to bridge funding gaps.

The outcomes sought in each area can be achieved primarily with private capital if these other types of flexible capital can be reliably and efficiently blended over and over, thousands of times. In short, scale is possible if the financial tools and products and the necessary blending essentially become “commodities” in the region.

Over the next 10 years, GroundBreak and its partners aim to build a new, regionwide financial system that creates and grows generational wealth for thousands of homeowners, entrepreneurs, and commercial developers by unlocking over \$5 billion in capital.

Beyond the direct impact of the dollars deployed, GroundBreak aims to create permanent change in our financial systems by helping borrowers build wealth, challenging historical perceptions of risk, and creating enduring infrastructure and systems that will enable the efficient aggregation and deployment of non-market rate capital to unlock private, market-rate capital at unprecedented levels.

These strategies are designed to address today's challenges and evolve with future needs, ensuring a sustainable flow of resources to tackle long-term economic issues. By creating a framework for flexible capital deployment, GroundBreak ensures that future initiatives will have the financial tools necessary to address emerging priorities and drive meaningful, lasting impact across multiple sectors.

2. Commercial Real Estate Development Financial Tools & Products

The commercial real estate development financial tools and products focus on community-desired, neighborhood commercial developments with total development costs between \$.5mm and \$10mm; less than 30,000 square feet of space; and a revenue model that expects to have revenues exceed expenses with excess revenues invested back into the enterprise and used to repay debt.

They were designed to overcome key obstacles that currently stand in the way of building Black wealth:

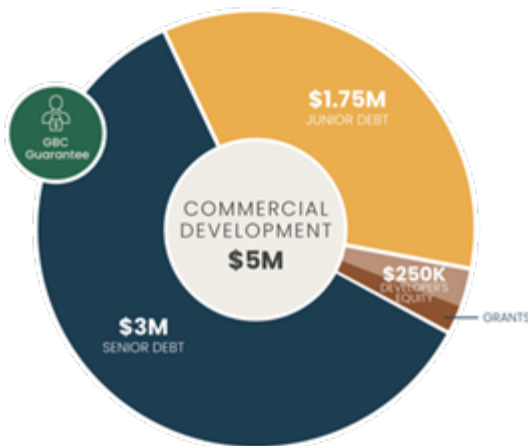
- Capital is largely unattainable due to lenders' underwriting requirements that come from a perception that loans to Black, low wealth, and/or less experienced commercial developers are too risky;
- Lack of personal wealth/assets, and personal relationships for debt and equity investment partners;
- Amount of development experience currently required for mainstream funding;
- The inability to efficiently and reliably secure 90-95% of financing;
- Too many different funding sources to pursue with low chances of success

- Lack of time to develop the property, build the business, and stabilize both which can easily be 5-10 years.

The financial tools and products are comprised of these 4 elements:

- Market-Rate Capital: Senior debt product offered by banks with GroundBreak-aligned terms for 60% of total development costs;
- Guarantees: Available as needed to help cover senior lender risk.
- Low-Cost Patient Capital: Up to 35% of project cost in low-cost patient, junior loan.
- Grant Capital: Available as needed to help developer meet 5% equity contribution.

PRODUCT FORMULATION (Fig. 1)



Note: Not all tools may be needed for every commercial development deal.

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 for all of the developer's assets.

3. Overview: GroundBreak Low-Cost Patient Capital Pool and Commercial Real Estate Development

In 2025, GroundBreak will launch three investment pools -- low-cost patient capital (LCPCP), guarantees, and grants -- to ensure access to the resources needed to flow alongside market-rate loans from financial institutions. Financial managers will administer the pools and work directly with origination partners, which will deploy capital to aspiring homeowners, entrepreneurs, and commercial developers to advance racial wealth equity.

Broadstreet Impact Services, Inc. (Broadstreet) was selected to manage LCPCP through a national competitive process. GroundBreak, working with Broadstreet, has issued this RFP to secure up to five (5) origination partners for the LCPCP that will make loans to developers committed to building Black wealth via commercial real estate and mixed-use neighborhood developments pursuant to the integrated product shown in Fig. 1.¹

These partners, such as community lenders, CDFIs, and other intermediaries, are crucial in providing capital to developers who help build personal wealth and create equitable economic opportunities in underinvested communities.

Capital from the LCPCP will be allocated to origination partners that will have the authority to underwrite, structure, and lend to their pipeline of borrowers within pre-negotiated parameters, in the spirit of the product formulation (Fig. 1), to overcome the barriers long hampering racial wealth equity.

GroundBreak anticipates that origination partners will hold and service the loans and return capital to the LCPCP upon repayment at a 2% IRR. The initial capitalization of the commercial real estate tranche will be \$12.5M. We expect originators to receive \$2-5M in lending capacity from the Pool.

4. Scope of Work

This section specifies the expectations and responsibilities of origination partners:

A. Structuring and Financing Commercial Real Estate Developments

Partners must be able to help developers build Black wealth through housing, business, and mixed-use neighborhood commercial development projects in the structuring and financing of projects of \$5M+ aimed at wealth-building through housing, commercial spaces, and local business development. They also must be able to assist them in working with senior lenders to create the integrated financing package envisioned by GroundBreak.

To the extent possible, partners should be able to integrate climate-ready development and financing into commercial real estate developments.

B. Working collaboratively with other actors to create a robust ecosystem

Partners should be committed to working collaboratively with GroundBreak Coalition, community members, financial institutions and other stakeholders to establish a robust ecosystem (e.g., predevelopment support, mentoring, loan participation, technical/legal assistance) that will facilitate a comprehensive and more streamlined system for developing and financing commercial real estate development that generates racial wealth equity.

¹ The LCPC pool also will be deployed to support homeownership. That is not the focus of this RFP.

C. Reporting and Evaluation

Applicants must be able to report to the Financial Manager on a limited set of data points and key performance indicators at loan origination and a subset of those data points at annual reviews of loans.

5. Expectations of Origination Partners

GroundBreak anticipates that the origination partner will utilize GroundBreak’s Special Purpose Credit Program (SPCP) loan framework in each transaction. Origination partners will play a deployment role for at least five years, assuming strong performance. The origination partner will be responsible for servicing their loans until full repayment within 10 years. GroundBreak will compensate the origination partner by paying a mutually negotiated origination fee that will be negotiated before signing a contract. The origination fee is expected to cover the staffing and servicing of the loan.

6. Timeline

Year 1

The following chart provides key dates for origination partners selection:

| ACTIVITY | TIMING |
|---|---|
| Release RFP | November 7 th , 2024 |
| RFP Q&A Period | November 7 th -November 20 th , 2024 |
| RFP Q&A circulated | November 22 nd 2024 |
| RFP responses due | December 2nd 2024 |
| Interviews of final candidates | December 9 th - December 20 th , 2024 |
| Recommendations made to GBC Executive Council | End of January/Early February 2025 |
| Final Selection Notification | Mid February 2025 |
| Contract negotiation | Late Feb-Early March 2025 |
| Contracts finalized and lending begins | End of Q1 2025 |

7. Proposal Requirements & Evaluation

Applicants interested in responding to this RFP and being considered an origination partner should assemble a proposal packet with the following files in PDF format. If multiple parties are

collaborating on the proposal, one party should submit a proposal on behalf of all the others in the group.

Proposal Narrative

A proposal narrative not to exceed 10 pages in length organized into the following three sections. We invite applicants to consider including helpful graphics and figures, using GroundBreak language and concepts introduced in the Program Description section (pg. 3). The proposal should describe in detail the applicant's strategy for the implementation of the Program, including:

SECTION 1: PROGRAM STRATEGY

- Management of the subordinate commercial real estate commercial debt financing program including but not limited to pipeline development and project selection, structuring, originating and servicing of financing, facilitating a comprehensive CRE ecosystem for building Black wealth;
- Evaluation of the effectiveness of the program and reporting on key performance indicators.

SECTION 2: EXPERIENCE AND QUALIFICATIONS

- Applicant background and history
- Plan for staffing the work including resumes, time commitments and proposed activities of each professional staff member and consultants, if any
- Extent of Experience
 - Operating a commercial real estate development loan program serving Black developers, developers of color, low-wealth developers, and/or less experienced developers or similar program that efficiently and effectively deploys capital resulting in successful developments and full repayment of capital;
 - Creatively and successfully utilizing subordinate debt in complex, multi-tranche housing, business, and mixed-use neighborhood real estate development projects that build Black wealth;
 - Working effectively with senior lenders (and other subordinate lenders) to negotiate the best possible capital stack for participating developers;
 - Providing these services in Minneapolis/St. Paul region, especially with developers committed to building Black wealth;
 - Working with an intentional diversity, equity and inclusion lens;
 - Working on emergent, adaptive contracts and proven ability to build something new, and pivot as needed
 - Reporting on key performance indicators and using them to evaluate program effectiveness and continuous improvement
- Examples of three recent developments that reflect the use of an integrated structure envisioned by this RFP and describe your role(s) in project completion. Please include names and contact information for reference

SECTION 3: DISCLOSURE

Please include a brief statement disclosing any relationships, prior working history, involvement, or conflicts of interest the respondent (including any staff, subcontractors, or partners intended to work on this project) may have with GroundBreak Coalition.

Respondents shall clearly mark “confidential” all documents with information customarily treated as private by the respondent, including trade secrets and information that is proprietary, commercial, and financial in nature.

ATTACHMENTS

Please provide PDF files for the following:

- Most recent formal financial audit (if available)
- Unaudited financial statements for 2023 or most recently completed fiscal year

PROPOSAL SUBMISSION

Proposals are due by 5:00 p.m. CST on December 2, 2024. Submit your proposal, including attachments, **saved as one PDF**, to Erin Imon Gavin, egavin@groundbreakcoalition.org, cc'ing Ellen Ward Owen (wardee03@gmail.com).

Questions regarding this RFP should be emailed to Erin Imon Gavin, egavin@groundbreakcoalition.org, no later than 5 p.m on November 20. Responses to questions will be posted alongside this RFP on the GroundBreak website no later than November 22.

Important information about proposal submission:

- Telephone or U.S. mail submissions will not be accepted for this RFP.
- Submissions should be sent via email.
- Responses or unsolicited attachments will not be accepted after the closing date.
- Requests for time extensions past any deadline will not be considered.

It is anticipated that originator partners will be selected by mid-February, 2025, for an estimated contract start date of late March, 2025.

GroundBreak reserves the right to modify the schedule, including but not limited to, the execution of the contract or any other element if it is in the best interest of GroundBreak.

Background and security investigations of the respondent and its staff/contractors may be required at the discretion of GroundBreak as a condition of beginning and continuing work under any resulting contract.

GroundBreak also reserves the right to partially award the work associated with this RFP or even to cancel this solicitation at its sole discretion.

8. Proposal Evaluation

GroundBreak will select origination partners through a competitive process based on the following criteria:

- Effectiveness of the proposed approach to deploy capital in the integrated way that supports GroundBreak's goals and overcomes historical barriers to capital.
- Effectiveness of a loan management system to track and service loans for successful repayment.
- Extent of relevant experience creatively and successfully utilizing subordinate debt in complex, multi-tranche housing, business, and mixed-use neighborhood real estate development projects sponsored by Black and other developers of color;
- Extent of relevant experience in the target geographies with communities of color, especially Black developers and working with a diversity, equity, and inclusion lens.
- Experience with and approach to data tracking and reporting.
- Organizational and financial capacity to administer loans at the scale of \$2-5M.