

Program Related Investments at the Saint Paul & Minnesota Foundations and F. R. Bigelow Foundation 2014 – 2018

Prepared by:
Mary Kay Bailey
MK Bailey Consulting
December 2018

Introduction and Background

Program-related investments (PRIs) complement traditional grantmaking by allowing foundations to leverage their assets for community improvement. By providing flexible, low-interest capital to charitable organizations, a foundation can recycle its initial investment, receive modest financial return, and provide much needed capital for activities such as: creation or expansion of businesses owned by people-of-color, affordable housing, and real estate development in underserved areas.

In 2013, the Saint Paul & Minnesota Foundations embarked on their first significant study and deployment of PRIs supported also by contributions from the F. R. Bigelow Foundation and the Katherine B. Andersen Fund. Building on these initial successes, in 2017 the F. R. Bigelow Foundation created a new donor advised fund at the Saint Paul & Minnesota Foundations with additional support from the Saint Paul & Minnesota Foundations. The fund is advised by the F. R. Bigelow Foundation and restricted to PRI investments to advance economic opportunity in the East Metro area. In July 2017, the F. R. Bigelow Foundation approved two new PRIs. This report provides an update on the performance of the five PRIs issued since 2014.

Five PRIs, Five Distinct Strategies

East Metro Job Creation Fund – PRI established 2014

- **Purpose:** The East Metro Job Creation Fund (EMJC) was established as part of the Saint Paul & Minnesota Foundations’ “economic opportunity” priority social issue strategy in 2013 to address job loss from the Great Recession. The intent of the PRI is to create jobs for low-income East Metro residents, with an emphasis on people of color.
- **Loan amounts:** \$1,063,000 to Metropolitan Economic Development Association (MEDA) and \$1,063,000 to the Neighborhood Development Center (NDC).
- **Loan terms:** The EMJC PRI has a 10-year term that matures on December 31, 2024, at a 1.5% interest rate, with interest being paid quarterly to the Foundations.
- **Support grants:** The loan was accompanied by grant funds to each organization (MEDA and NDC) cover organizational costs of deployment and administration of the loans with an emphasis on technical assistance for recipient businesses. Grant amounts were designed to gradually decrease per year as interest earned by NDC and MEDA on the loans increased, allowing both organizations to absorb ongoing costs into their operating budgets:

- \$150,000 (per organization) for each of the first and second year
- \$100,000 for third year
- \$80,000 for fourth year
- \$60,000 for fifth and final year of grants

Model Cities BROWNstone development – PRI established 2015

- **Purpose:** The City of Saint Paul Planning and Economic Development (PED) Department repurposed and redeployed a long-held PRI from the Saint Paul & Minnesota Foundations to Model Cities, an African American led, community-based developer, to finance the commercial portion of the mixed-use BROWNstone development, located on the Green Line at Victoria Station.
- **Loan amount:** \$2,300,000 PRI held at the City of Saint Paul, re-loaned to Model Cities
- **Loan term:** PRI has 11-year term, maturing on June 6, 2026. The interest rate is 2% and Model Cities transitioned from making monthly interest-only payments during construction to combined principal and interest in January 2018.
- **Related grants:** \$270,000 in 2011 to support pre-development costs.

Twin Cities Habitat for Humanity – PRI established 2017

- **Purpose:** Expand impact in East Metro through land purchase, new home construction, and existing home purchase, rehab, and sale to Habitat families.
- **Loan amount:** \$1,000,000
- **Loan term:** PRI has 10-year term, maturing on December 31, 2027. The interest rate is 1.5% and Twin Cities Habitat makes quarterly interest payments.
- **Support grant:** \$100,000 to support East Metro marketing of the homeownership expansion opportunity.

CommonBond Communities – PRI established 2017

- **Purpose:** To grow the CommonBond Housing Opportunity Fund to support acquisition of “naturally occurring” affordable multi-family housing (NOAH) in the East Metro.
- **Loan amount:** \$1,000,000

- **Loan term:** PRI has 10-year term, maturing on December 31, 2027. The interest rate is 1.5% and CommonBond Communities makes quarterly interest payments.
- **Support grant:** \$100,000 to support East Metro activity related to the new unsubsidized housing business model and the CommonBond Housing Opportunity Fund.

Key Findings

- EMJC funds are enabling businesses to start and expand in the East Metro. MEDA and NDC are actively recycling the initial investments and continuing to lend this in-demand capital into the community.
 - From 2014 – 2018, MEDA and NDC report having made 55 loans to 54 businesses; all funds are in recirculation, with MEDA having recirculated the original loan 2.78 times, and NDC, 1.54 times.
 - MEDA reports that for each dollar received through the EMJC Fund, borrowers are able to raise an average of 10.98 additional dollars from other sources; and NDC borrowers raise an average of 1.62 additional dollars.
 - Between 2014 and 2018, EMJC businesses have created 332 new jobs, 70% held by people of color. Businesses have retained 623 jobs, with an additional 113 jobs projected. Wages at EMJC-funded MEDA businesses range from \$11.50/hour to \$58/hour, with an average pay of \$20.13. Not all NDC businesses have reported their wages, but the range is from \$7.00/hour to \$50/hour.
- In October 2017 the 35-unit, mixed use BROWNstone project opened its doors. Developer Model Cities relocated into the building and leased all of the apartments. Three of the five ground-floor commercial spaces are under lease by entrepreneurs of color, but Model Cities has struggled with the remaining two. They are current on loan payments to the City of Saint Paul, but may request interest-only payments until full lease up. There are 24 new jobs on site (11 at Model Cities, 13 in retail spaces.)
- Twin Cities Habitat for Humanity deployed the \$1 million PRI in six months. The loan allowed them to purchase 14 parcels of land and 8 existing homes in nine East Metro cities. Two of the homes have been sold to Habitat families and the loan will recirculate as homebuyers purchase properties
 - PRI funds allow Habitat to be a cash-buyer of existing homes – allowing them to compete with investors. Before the PRI, they would lose out on deals because they didn't have the cash to purchase them.
- CommonBond Communities has raised \$4.2+ million for its CommonBond Housing Opportunity Fund. The fund has invested in 3 properties, preserving 285 units of affordable housing. While CommonBond had not yet deployed the F. R. Bigelow Foundation PRI by December 31, 2018, they will by the end of the first quarter 2019.

East Metro Job Creation Fund

The EMJC Fund supports two intermediaries – MEDA and NDC – that offer complementary and non-overlapping strategies, focusing on two different sets of beneficiary businesses that engender job and wealth creation through the support of entrepreneurs of color. The table below summarizes these strategies. EMJC dollars can only be used for East Metro deals.

Comparison of MEDA and NDC organization strategies

	MEDA	NDC
Size / development stage of business	Stage 1, 2, and 3 before and since EMJC; established firms, poised for growth	Only small/start-up businesses before EMJC; now also working with mid-sized businesses
Businesses' ability to access commercial capital	None fully bankable; 10 of 29 loans have companion financing from a community bank.	Most unbankable. Only 1 with bank financing
Type of industry	Mostly manufacturing, construction, and professional services; limited service/retail	Mostly service / retail, some light manufacturing
Demographics of business owners	All people of color, including immigrants	Primarily people of color and immigrant; 20 loans out of 26 are to businesses owned by a person of color.
Geography	Primarily metro but has expanded statewide; EMJC has expanded % of portfolio in Saint Paul and its suburbs. 30% of pipeline is in East Metro, and growing demand from Greater Minnesota	Focus on under-served neighborhoods, mostly in Minneapolis and Saint Paul; loans concentrated along Green Line, West Side, and East Side, with some loans in North End and West 7 th .
Sources of deals	Continue to draw deals from previous technical assistance clients; have significant backlog of requests. Unrelated to EMJC, in 2018 MEDA received significant grant support to launch "Catalyst" a partnership and online platform serving MEDA and 7 other minority lending partners. ¹ The online platform will allow groups to access the same training, online financing, as well as the intake assessment and referral system for entrepreneurs seeking help.	Can now offer larger loans to businesses previously served with smaller loans Had to develop new strategies to find larger deals: in-person visits in target neighborhoods; video about EMJC on website and in classes; website for online application; outreach through banks, business associations, entrepreneur organizations

¹ Other lending partners include: African American Chamber of Commerce, African Development Center, Asian Economic Development Association, African Economic Development Solutions, Latino Economic Development Center, Northside Economic Opportunity Network, and Community Reinvestment Fund.

	MEDA	NDC
Terms of EMJC loans	2014 – 2016 most loans were 12 – 18 months. 2017 – 2018 longer tenure (~3 years) because MEDA using SBA Community Advantage guarantee which requires longer tenure. <ul style="list-style-type: none"> • 2014 – 2016: interest rates at 7.25% • 2017 – 2018: interest rates at 8.25% 	Longer term (most close to 5 years); Larger size than before (previously mostly micro-loans, mostly non-recourse) 2014 – 2016: interest rates range 6% to 7% 2017 – 2018: interest rates range 5% to 7.25%

Loan Deployment Details

Each organization deployed their initial \$1,063,000 loan and have recirculated portions of the original PRI as initial loans are in repayment. The table below summarizes the number and sizes of loans, and the amount of companion financing accompanying the EMJC investments.

Loans made by intermediaries 2014 - 2018

	# loans total	# original loans	# loans with recycled \$	# biz served	EMJC \$ loans (approved)	Recirculation Rate *	Companion Financing	Leverage ratio**
MEDA	29	11	18	28	\$2,949,964	2.78	\$11,668,000	10.98: 1
NDC	26	18	8	26	\$1,642,237	1.54	\$1,727,027	1.62: 1
TOTAL	55	29	26	54	\$4,592,201	-	\$13,395,027	-

Source. Reporting from MEDA and NDC as of December 2018. * Recirculation Rate calculated by dividing total loan dollars approved by initial PRI value of \$1,063,000. **Leverage ratio calculated by dividing companion financing by initial PRI value of \$1,063,000.

Demographics of loan recipients

- MEDA: 100% of loan dollars approved were to business owners of color.
- NDC: 84% of loan dollars and 80% of loans approved were to business owners of color.

Average Loan Sizes

- MEDA: \$101,723; NDC: \$63,163

Delinquency

- In 2016, MEDA reported that one EMJC loan was delinquent and was transferred to a different account in order to keep all the EMJC funds in circulation. No subsequent delinquencies.
- In 2016, NDC reported that 4.56% of the dollar value of EMJC loans are delinquent for 30+ days, compared to 7.35% for the entire NDC portfolio; in 2018 these percentages have increased to 6.7% and 8.25%, respectively. One business has closed and is on modified repayment; three others are delinquent but working with their loan officers. NDC attributes the increased delinquency to larger, more successful loans having been fully repaid. NDC's loan loss reserve can absorb losses when a business closes.

Loan payoffs and fund recycling

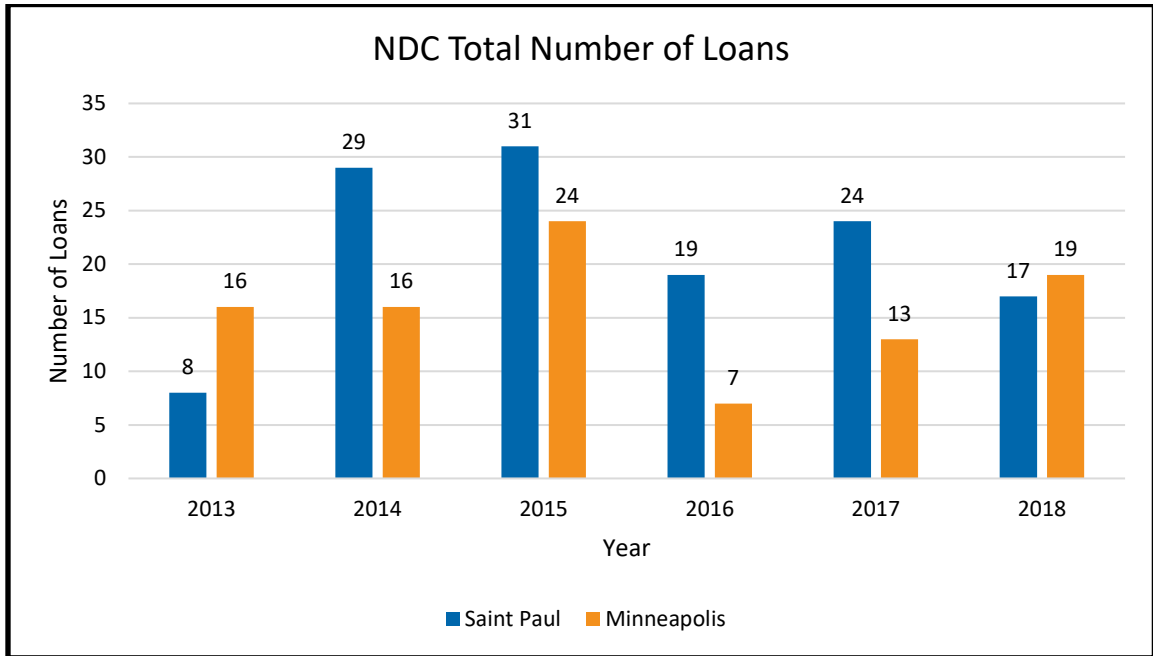
- MEDA: 11 loans have been fully repaid, totaling \$1,136,000. 18 loans are in repayment status, totaling \$1,813,964.18. MEDA reports that it will continue relending the PRI closer to the 2024 maturity date because they have liquid reserves that they can substitute into the loan when they repay the Foundation.
- NDC: 3 loans have been fully repaid, totaling \$154, 500. 23 loans are in repayment status, totaling \$1,049,630. NDC reports that it will continue lending the PRI through 2019, but given their longer loan terms, they are unlikely to deploy many loans in subsequent years.

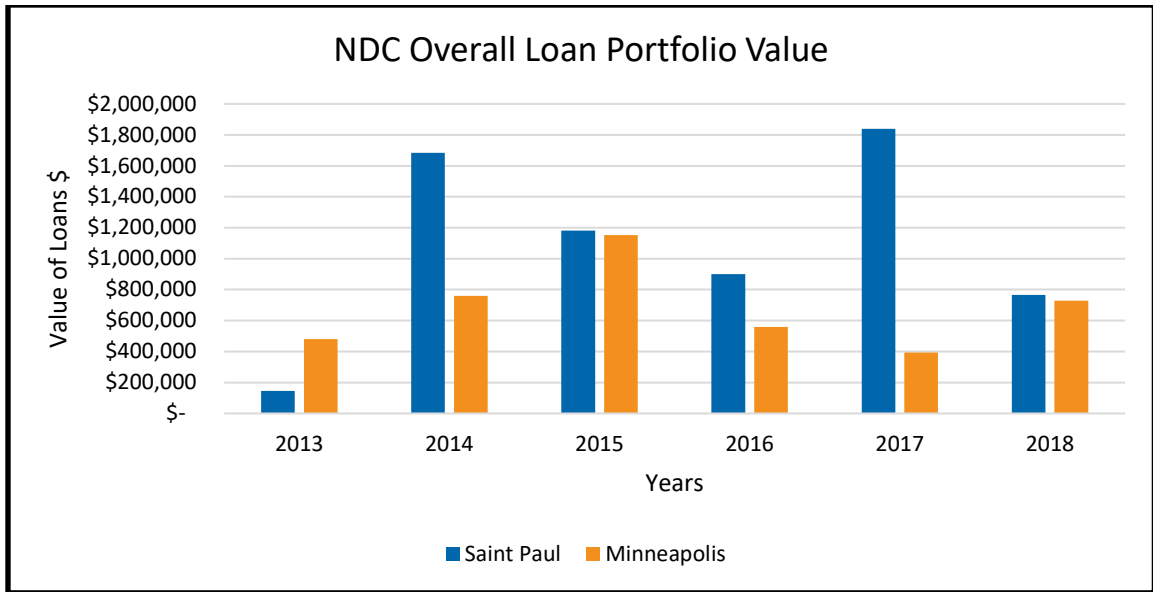
MEDA lending trends

- Since 2014, the organization has sought to capitalize a \$20 million loan fund by 2020. As of 2018, MEDA has successfully raised \$18.6 million and expects additional funds before the year's end. In light of this successful raise, MEDA is expanding its goal to \$50 million in the next five years. A recent study funded by MEDA found that there is an \$80 million annual shortfall in lending to minority owned businesses in the state of Minnesota.
- By the end of 2019, MEDA expects to open a satellite office in Saint Paul. This is in large part due to the activity and relationships generated by the EMJC investment. Staff reports that lending has been strong in the city and the soccer stadium is driving potential new deals. Despite raising additional capital, MEDA still has nearly \$20 million of unfunded deals in its East Metro pipeline.
- Between 2014 and 2018, MEDA has originated 43 loans (including 29 EMJC loans) in Dakota, Ramsey, and Washington Counties.

NDC lending trends

- Since 2016, NDC has made four loans to businesses to purchase their buildings after being longtime tenants.
- NDC has acquired additional capital from the Minneapolis Foundation (\$500,000); Bremer Bank (\$1million); and Living Cities (\$1.5 million.) The organization has sufficient full recourse capital, but will likely deplete its non-recourse loan dollars.
- NDC’s number of loans in Saint Paul is 1.3 times greater than in Minneapolis and their loan portfolio value is 1.6 times greater in Saint Paul than in Minneapolis.
- As the graphs below illustrate, EMJC funds issued in 2014 helped to propel a 262% increase in NDC’s Saint Paul loan numbers between 2013 and 2014. During that same time period, NDC’s total lending in Saint Paul increased by more than 1000%.





Impact related to job creation and economic benefit

Jobs created, retained, and projected

Organization	New jobs	Retained jobs	Additional projected jobs	Jobs filled by people of color	Fulltime jobs
MEDA	174	623	*	126 (72%)	*
NDC	158	*	113	105 (66%)	74
TOTAL	332			231 (70%)	

Notes. Not included above are an additional 20 seasonal jobs (NDC). * Indicates this information not included in the organization's report. Source. Reporting from MEDA and NDC as of December 2018.

Wages, Benefits, and Other Impacts

- MEDA: Pay at businesses with EMJC loans ranges from \$11.50/hour to \$58/hour. The average pay for jobs through this fund is \$20.13. MEDA did not report healthcare benefits offered at these businesses, but in 2016 noted that 60% of jobs across their full portfolio have healthcare benefits and that 60% of its business owners own their homes.
- NDC: Pay at businesses with EMJC loans ranges from \$7.00/hour to \$50/hour with not all businesses reporting. NDC did not report healthcare benefits available with loans made since 2016, but 4 out of 18 of those initial businesses offer benefits (covering 22 jobs.)

Growing Jobs in the East Metro

In 2016 a MEDA borrower used an EMJC loan (\$200,000) as part of an overall \$3.2 million loan to purchase an existing manufacturing business and building. At the time of purchase, the business was at risk of relocating to a site outside of the East Metro, but working with MEDA, the new owners also purchased the building – keeping the business in White Bear Lake. Since 2017, the business has grown from 16 jobs to 25. In 2019, the owners expect to add a second shift and hire 9 new machinists. This business is on track to earn \$4.5 million in 2019 and was profitable in its first year.

Building Wealth through Building Ownership

In his early days in business, an Ethiopian upholstery shop owner attended an NDC entrepreneur class. He took out and repaid a small loan to purchase a truck for furniture deliveries. Two years ago his landlord wanted to sell the building, but banks were unwilling to give the business owner a mortgage, so he entered into a contract for deed with the landlord. This year, the business owner was determined to purchase the building with a mortgage, but banks were charging high rates and requiring a lien on his personal residence. He turned to NDC for help, receiving a \$185,000 loan to purchase the building (which also includes an apartment on the second floor) and received STAR grant and loan funds from the city to make building improvements. By owning the building he can earn rental revenue from the upstairs unit, avoid rent increases for his business space, and have an asset to sell should he retire from the business.

Intermediaries' observations on terms

Observations about the EMJC PRI terms have remained consistent since the release of an earlier evaluation in 2017. In particular both MEDA and NDC note:

- The capital is meeting a clear need among business owners of color, and has been rapidly absorbed, especially by larger businesses.
- The foundation's interest rate of 1.5% allows both intermediaries to add their necessary spread to cover their costs, and still offer loans to their clients at a desirable rate.
- Ten years is shorter than ideal, because it limits the intermediaries' opportunities to recirculate the funds, especially for loans exceeding two to three years; this limits their flexibility and options for deals, especially in the latter half of the loan period.
- A longer-term lending period would allow for greater impact, reducing the intermediaries' need to turn down some of their real estate purchase requests, and allowing them to continue to recirculate funds longer.
- A renewable or revolving loan arrangement would offer more flexibility, although only if the renewal were confirmed at least five years before the maturity date.

The BROWNstone

In October 2017, the 35-unit BROWNstone opened its doors to its first residents and office tenants. Located at the Victoria Avenue Green Line Station, the BROWNstone is one of three seminal development projects built at the once “missing stations” along the light rail alignment (PPL’s Hamline Station and Aurora Saint Anthony Neighborhood Development Corporation’s Western U Plaza are the others.) Model Cities is the developer, primary office tenant, and property manager for the BROWNstone.

Model Cities BROWNstone development at 839 University Avenue, Saint Paul



Unlike the EMJC Fund, which is a loan resource administered through two intermediaries, the \$2.3 million Saint Paul & Minnesota Foundation PRI is a unique, single loan to the City of Saint Paul which was used to finance the commercial space of the project. As described in the 2017 evaluation report, The BROWNstone would not have been built without the Saint Paul & Minnesota Foundations’ PRI to the City of Saint Paul.

Project Milestones

Not surprisingly the 35 units of affordable housing were fully leased within the first four months of opening. Model Cities maintains a 200+ person waiting list. Staff describes residents as a mix of young families with school-aged children and couples that are diverse in ages, abilities, and racial and ethnic backgrounds and whom enjoy being close to transit.

While the residential portion of the building has been quick to lease, first-floor commercial spaces have been more challenging. Financing delays led to several tenants backing out of leases while the project was under construction. Three out of the five spaces are leased. A barbershop moved in November 2017 and has done well. An apparel shop and deli are under construction and waiting for final inspections. The remaining two suites include a 2,500+square foot restaurant space and a 1900+ square foot office space. Model Cities reports that a lack of tenant improvement dollars, especially for the restaurant space, has been a challenge. Staff has been advised that their lease costs (\$16 - \$18/sf) are priced on the lower end which will help tenant attraction. Staff has been working with NDC and MEDA to identify possible tenants and they promote the space through tours, with brokers, and on their website.

Loan Performance

The City of Saint Paul reports that loan payments, due on the 5th of each month, have been on-time. In December 2017, Model Cities began making payments of both principal and interest, but given the slower than expected lease up, Model Cities may request restructuring of loan back to interest-only payments until all commercial spaces are occupied.

BROWNstone by the numbers

Project Cost	\$14.84 million
Project grants/loans connected to the Foundations	\$2,770,000 (19% of total cost) \$2.3 million (PRI) \$250,000 SPMF & Bigelow grant \$200,000 LISC Accelerator funds \$20,000 Mardag grant
Number of units	35 units (3 two-bedroom, 32 one-bedroom)
Affordability	7 units at 50% Area Median Income (AMI); 28 units at 60% AMI
Commercial space	Approximately 20,000 square feet of office, retail and community space and a 7,000 square foot outdoor pocket park. Community Room and Reading Room are rented for meeting space 5 commercial spaces on the first floor. 3 are occupied. 2 have 5-year leases; 1 has a 10-year lease.
New and retained jobs	3 retail spaces have 13 jobs. Each business is owned by a person of color. Model Cities added 11 new positions, in addition to the 22 that relocated to the BROWNstone.

Twin Cities Habitat for Humanity

Twin Cities Habitat for Humanity is using the \$1 million PRI from the F. R. Bigelow Foundation to purchase land, build homes, and purchase existing homes for light rehab and resale to Habitat low-or moderate-income homebuyer families. The funds are used for acquisition and construction financing. Twin Cities Habitat deployed the entire PRI within six months of acquiring the funds.

Results of PRI Deployment: March - December 2018

Total properties purchased	Land parcels purchased	Existing homes purchased	Total loan Value	Average Loan Size	Located in # of cities	# homes sold
22	14	8	\$1,215,764	\$55,262	9	2

Direct Impact of the F. R. Bigelow Foundation PRI

The PRI has increased Habitat’s ability to acquire land and homes, aiding in the acquisition of six twin home lots at Whitall, a stalled project in Saint Paul’s Payne-Phalen neighborhood that but for their involvement would not have moved forward until after 2020. By using the PRI instead of traditional debt, Habitat saved interest and legal fees. The PRI helped attract resources from the highly competitive CDFI Fund’s Capital Magnet Fund that were used for remediation. Homes in the Whitall development have 4 bedrooms, 2 baths and are minutes from downtown Saint Paul.

Whitall Twin Home Rendering, Payne-Phalen neighborhood, Saint Paul



In addition to land purchase, the PRI allowed Twin Cities Habitat to acquire eight existing homes for moderate rehab. While Habitat continues to build new construction, they are also actively buying existing homes and using subcontractors for rehab. This allows Habitat to: 1) rehab homes more quickly using subcontractors (as opposed to new construction), and 2) in this tight housing market, make homes available to low-and moderate- income homebuyers who but-for Habitat may not effectively compete against investors/flippers.

According to staff, PRI funds help greatly in this space – letting them step into the market as a cash-buyer of existing homes. The homebuilding team previously had to pass on homes listed in these counties because they didn't have cash on hand to be the cash buyer. When F. R. Bigelow Foundation funds were received in March 2018, they actively purchased homes. Of these 8 homes, two have been sold to Habitat homebuyers. Demographics will be available in the next quarterly report.

Staff report that Habitat's name and reputation allows them to successfully compete against other investors. Using this strategy Habitat has been able to purchase homes in first and second-ring suburbs where they haven't historically been able to build; meaning more geographic choice for homebuyers.

PRI funds are re-circulated at the close of each home and used for the purchase of the next lot or home in the East Metro.

On the basis of Habitat's successful track record raising and deploying PRI funds, Minnesota Housing provided them with a new line of credit in 2018 with favorable terms and flexibility that has allowed them to avoid bank debt for construction borrowing.

3 bedroom, 1.75 bathroom Habitat home for sale in White Bear Lake, MN



F. R. Bigelow Foundation PRI part of larger campaign, strategy

In February 2016, Twin Cities Habitat embarked on an ambitious five- year plan to double the number of diverse first-time homebuyers across the Twin Cities metro. To deliver on this goal, Twin Cities Habitat:

- 1) redesigned their homeownership program so that families can buy a home built or rehabbed by Habitat or buy a home on the open market using Habitat's affordable mortgage financing;
- 2) partnered with Bremer Bank to purchase 100% of Habitat's first mortgages (~\$98 million, 500 loans) at advantageous terms;
- 3) launched a \$55 million capital campaign to support programs and provide affordability assistance to homebuyers, of which \$35 million has been raised, with two years remaining; and
- 4) set a \$10 million goal for social impact investors, of which \$5.1 million has been raised (including the \$1 million PRI from the F. R. Bigelow Foundation.)

Results in the first several years are impressive:

- 125 homebuyer loans were closed in the 7-county metro in FY17-18 (33 in '17, 92 in '18.)
 - 61% were in suburban locations, 22% in Saint Paul, 17% in Minneapolis.
 - 94% were homebuyers of color
 - Median family size was 4.5 and 50% of families had 5+ members
 - More than half of homebuyers earned between 30%-49.9% AMI
- In FY2019, Habitat is on track to close 110 homes – triple the number in FY17.

Twin Cities Habitat is aiming to reach 125 homes/year. Staff report that the most growth has been in their open market program, yet the rising cost of homes continues to be a challenge for buyers. Habitat also struggles with outreach; people think of Habitat as a homebuilder and not a mortgage lender or they think that Habitat only serves the lowest income families, when they are working with homebuyers across the 30% - 80% AMI spectrum. To remedy this, Habitat is investing in marketing and expanding partnerships with realtors and mortgage lenders, especially those who have a track record working with homebuyers of color.

CommonBond Communities

As vacancy rates hover at or below 2%, rents increase by 9%, and subsidized housing fails to address demand, low and moderate-income renters are struggling to find apartments they can afford. In response, CommonBond Communities launched the CommonBond Housing Opportunity Fund (CHOF) to attract socially-minded investments that will be used to acquire unsubsidized affordable housing.

CommonBond's goal is to raise \$20 million for this fund and as of October 2018, they have raised \$4,207,000 from 20 institutional and individuals investors, including the \$1million PRI from the F. R. Bigelow Foundation. Through the fund, CommonBond has called \$2.5 million to acquire 285 units in three properties; Boulder Ridge in Dakota County, and buildings in Anoka and Coon Rapids; however, none of these deals use funds from the F. R. Bigelow Foundation PRI. CommonBond intends to draw on the \$1 million PRI, closing on an important project in Saint Paul in the first quarter of 2019, preserving 136 of low to moderate income housing.

Impacts from the F. R. Bigelow Foundation PRI

Although CommonBond has yet to draw on F. R. Bigelow Foundation funds, the organization has found that the PRI has become a stamp of approval to engage individual investors in participating in the CHOF. The fund itself has created another way for donor-investors to engage with CommonBond, including non-profit housing organizations who have put their pools of unused capital into the CHOF.

CommonBond has experienced two challenges in deploying the F. R. Bigelow Foundation PRI:

1. Owner-readiness to sell. When CommonBond received the PRI from F. R. Bigelow Foundation, they called a financial partner to connect them with any owners in the East Metro who might have properties to sell. The partner connected CommonBond with a property owner in West Saint Paul and they've been in conversations for nine months, but the deal hasn't advanced.
2. Self-restricting requirement that CHOF invest only in fully unsubsidized housing. Recently deals have emerged where buildings have expiring Section 8 project vouchers (a form of temporary subsidy) attached to some of their units. Sale of these buildings to private investors will likely lead to the expiration of those vouchers. CommonBond recognizes that the affordability of these buildings is endangered and long-time residents would likely be forced out. CommonBond is

considering using CHOF resources to purchase these “hybrid” properties that are likely to lose their affordability with expiring voucher subsidies.

According to CEO Deidre Schmidt, “since 2017 CommonBond has acquired 417 units (209 in Saint Paul and Hastings) of non-NOAH (i.e. those properties that have expiring subsidies) that we would not have done even three years ago. We have a different culture, risk management system, relationship to brokers, etc. that have allowed us to preserve and improved these properties. The F. R. Bigelow Foundation’s commitment has helped us to make these changes internally and raised our profile with others.”

Unlike single-family home acquisition, multi-family properties require multiple millions of dollars to purchase. That capital tends to be “held” in a property until it is re-financed, sometimes many years later. Schmidt is confident that CommonBond will find and make an impactful investment supported in part by the F. R. Bigelow Foundation PRI.

Appendix

Interview Participants

- MEDA: Joanna Ramirez Barrett, Vice President, Business Solutions; Andy O’Leary, Chief Development Officer; Patrick Pariseau, Director, Financing Solutions, Alesha Klein, Assistant to the Vice President
- NDC: Mike Temali, Founder & CEO; Brian Singer, Director of Lending; Perla Mayo, Deputy Director of Lending
- Model Cities: Kizzy Downie, CEO and Dean Carlson, Director of Community Development
- Twin Cities Habitat: Cathy Lawrence, VP Resource Development and Community Engagement; Robyn Bipes-Timm, VP Loan Fund and Mortgage Lending
- CommonBond Communities: Deidre Schmidt, President and CEO; Ann Ruff, VP Major Gifts and Impact Investing

Contacted through email:

- Saint Paul Planning and Economic Development: Diane Nordquist, Project Manager