



EXECUTIVE SUMMARY

OPPORTUNITY CLE FUND

Ordinance 901-2022

Name of Requesting Entity: Opportunity CLE Loan Fund managed by Cleveland Development Advisors-Community Reinvestment Fund

Address of Requesting Entity: 1240 Huron Rd. Cleveland, Ohio 44115

Geographic Scope of Project: Citywide

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AMOUNT REQUESTED \$ 7,500,000

DESCRIPTION

Opportunity CLE Loan Fund, LLC (the "Fund") is a \$50 million civic loan fund designed to align with Cleveland Development Advisors' (CDA) mission to promote inclusive and thriving neighborhoods in Northeast Ohio by providing innovative financing solutions and technical assistance to support transformative, strategic and catalytic real estate and business development projects located in low-income communities across Northeast Ohio, with a focus in the City of Cleveland and Cuyahoga County.

The Fund is an Ohio LLC formed by Cleveland Development Advisors Community Reinvestment Fund, Inc., an Ohio nonprofit corporation ("CDACRF") as the initial Member and Manager. CDACRF is a Community Development Financial Institution ("CDFI"). Consistent with the primary mission of a CDFI of promoting community development, CDACRF anticipates that at least 60% of the investments made by the Fund will be directed toward improving the social and economic conditions of underserved people and/or residents of economically distressed communities in Northeast Ohio. The investments will be made consistent with CDACRF's certified CDFI target market.

Consistent with the requirements of ARPA, CDACRF covenants that not less than 15% of the Fund's investments will be directed to projects that (1) are located in "Disproportionately Impacted" census tracts within City of Cleveland and (2) otherwise meet the requirements of the American Rescue Plan Act ("ARPA"). The Fund contemplates that the investments will be made primarily in the form of loans to entities engaging in activities consistent with the purposes of the Fund.

The request is for the City of Cleveland (the "City") to invest \$7.5 million in the Fund. The investment may take the form of a grant, a direct equity investment in the Fund or a loan to CDACRF that, in turn, will be contributed by CDACRF to the Fund as a Class B investment. 100% of the amount invested by the City will be used to finance investments that (1) are located in designated census tracts within the City and (2) meet ARPA requirements. The City's expected return will mirror that of other Class B investors. The Fund will make initial deployments of the full amount of the City's investment no later than December 31, 2026.

The Fund has been conceived and designed to make investments that will enable the Fund to return to each investor the full amount of their Capital Commitments. CDACRF anticipates that the Fund, consistent with its strategic focus, may deploy a significant portion of the Fund's assets in projects with higher risk factors and provide lower returns than other available projects. No assurances can be given that the economic return objectives related to capital contributions will be achieved.



TIMELINE

Investments will begin to be made upon the close of the Fund (estimated 4Q of 2022) and the Fund will make initial deployments of the full amount of the City's investment no later than December 31, 2026.

Subject to the Fund Operating Agreement, the Fund will have a stated term of 15 years from the Initial Closing, with the option of the Manager to extend the term for two additional periods of two years. The term of the Fund can be extended for additional periods upon the written approval of Members holding at least seventy-five percent (75%) of the Membership Interests in the Fund

IMPLEMENTATION

Cleveland Development Advisors – Community Reinvestment Fund (“CRF”), an affiliate of the Greater Cleveland Partnership, will be the manager of the Fund.

PARTNERS

The following are Investors have either closed on an investment or made various level commitments to the Fund to date: Key Bank, Huntington Bank, PNC, Fifth Third Bank, Citizen's Bank, Westfield Insurance, Medical Mutual of Ohio, The Gund Foundation, The Cleveland Foundation, St Luke's Foundation, Greater Cleveland Partnership, Cleveland Development Advisors. Prospective investors currently reviewing and/or contemplating an investment in the Fund include: Cuyahoga County.

GOALS

The underlying objective of the OCLF Fund is to provide a low cost, flexible source of capital to real estate projects that will (i) incentivize further investment in underserved markets and/or (ii) support emerging developers.

RACIAL EQUITY

CDA has historically provided loans in underserved markets to more established developers, business owners and non-profit organizations that have a proven track record. While this will continue to be a factor for consideration in underwriting, CDA recognizes that there is an exclusionary effect in making this a requirement. The structure of OCLF (i.e. increased level of credit enhancement afforded by the leveraged fund structure) provides the ability to expand underwriting criteria to allow for more support of emerging developers, including women and BIPOC developers.

OCLF will be one financing tool that CDA will be using to support other CDA related programming aimed at providing a pathway for emerging women and BIPOC developers. This additional related programming includes technical assistance, capacity building, project advisory services, and pre-development access to capital. Recognizing the generational wealth gap and historical barriers to entry for black and brown developers, CDA is working with local and national partners, including Community Development Financial Institutions (“CDFI’s”), local foundations, and neighborhood Community Development Corporations (CDC’s), to establish a cohort-driven education, training, mentorship, and networking program aimed at strengthening the ecosystem to be more inclusive – thus helping to cultivate viable commercial real estate projects in Cleveland’s neighborhoods. OCLF funds will be a financing tool to be used in part to provide flexible low-cost capital to real estate projects for cohort participants.



COMMUNITY IMPACT

The approximate number of citizens impacted, businesses supported, and jobs created will vary on the specific real estate projects that OCLF invests. For every project in which CDA invests, it uses an extensive community-based impact criteria which was established in part through an engagement with the Urban Institute, a national nonprofit research organization with a mission to “open minds, shape decisions, and offer solutions through economic and social policy research.” An eligible project must demonstrate that it aligns with a community need or priority. In addition, prioritized projects will provide meaningful opportunities for low-income people and people of color, supports economic mobility and pathways out of poverty and advances the community’s social and economic goals. With input from CDA’s Community Advisory Committee, CDA has incorporated the social impact criteria into its investment guidelines and loan policies. Projects are evaluated for the following specific social impact criteria:

- Responding to and advancing goals established by the surrounding community, either through direct community engagement or accordance with existing community-led plans;
- Creation of permanent, quality living wage jobs for community members, particularly underemployed groups;
- Providing or supporting training and educational opportunities for community members, particularly underemployed groups;
- Supporting local entrepreneurs and minority-owned businesses & developers (e.g. sourcing or providing affordable commercial space);
- Creating or preserving quality housing that is affordable to existing residents;
- Improving access to basic services and supporting healthy living environments within the neighborhood (bringing healthy food to food deserts, remediation of brownfields, new neighborhood-serving amenities);
- Improve connectivity of residents to economic opportunities outside the neighborhood (such as through increased broadband access and proximity to public transportation) and/or
- Support household financial security and opportunities to build and sustain community wealth (e.g. employee stock ownership and management. continuity plans).
- Include plans and actions for mitigating potential harms, including displacement of residents and small businesses and exposure to health risks.

DIFFERENTIATION

When CDA’s first fund (Cleveland Development Partnership) was established in 1989, it was the first of its kind nationally. It was a private sector fund capitalized to make civic investments. Since 1989, CDA has raised capital for three additional lending funds, solely from private capital sources. OCLF Fund is unique in that it will be the first CDA managed fund to include a cross section of investors including private investors like banks and corporate, but also including civic organizations (e.g. Greater Cleveland Partnership), a CDFI (e.g. Cleveland Development Advisor), philanthropic organizations (e.g. Cleveland Foundation, George Gund Foundation, and the St. Luke’s Foundation) and government resources (e.g. ARPA). This multi- investor leverage fund is a model that is unique across the country. This could also be a model for Cleveland to use in capitalizing other types of civic funds (e.g. Equity Trust Funds, etc.). In addition, for each real estate investment made with CDA managed funds, CDA has and will continue to require the borrower to enter into a community benefit agreement which provides details of the required outcome and impacts anticipated with the investment.

FINANCIAL LEVERAGE

This initiative is the capitalization of a loan fund with multiple investors. As of the date of this application, and apart from the City’s ARPA investment, CDA has secured 97.5% of commitments required to close the Fund.



ENVIRONMENTAL SUSTAINABILITY

CDA considers Leadership in Energy & Environmental Design (LEED) certification and brownfield remediation during the investment evaluation process for each project. Knowing that both elements add significant cost and complexity, each project is evaluated on a case-by-case basis, but those projects that meet LEEDS certification or similar green building standards are scored more favorably. When actual LEED certification is not reasonable, LEED equivalent or an alternative energy efficiency strategy may be accepted.

Just a few examples of past investment include the Urban Community School campus expansion and Boys Hope Girls Hope that were built to LEED standards, representing 73,773 SF of environmentally sustainable new construction. In addition, the University Hospitals Rainbow Center for Women and Children's 40,000 SF facility committed to LEED v4 Gold Building Design and Construction standards. Both St. Martin De Porres High School and The Quarter pursued LEED certification. East Ohio Gas historic rehabilitation received the LEED Midrise certification.

Through evaluation of 22 recent past CDA investments totaling \$150 million with a total cost of over \$583 million, there have been 38.6 acres of former brownfield redevelopment and increase efficiency of over 2.49 million square feet of building space through LEED certification or other advanced efficiency measures.

ADDITIONAL COMMENTS

CDA has been managing impact real estate investment funds for more than 30 years. It has an experienced staff and dedicated board of directors and community advisory committee with more than \$240 million of assets under management. The most recent direct lending fund that CDA closed was Advanced Cleveland Development Fund (ACDF) which was capitalized in 2013 with \$31 million. ACDF is a revolving loan fund and has turned over its capital more than 2.5 times, investing over \$75 million into 27 commercial real estate projects. In addition, CDA is certified by the Department of Treasury as a Community Development Entity (CDE) and has raised more than \$250 million in new markets tax credit resulting in nearly \$1 billion in development in Cleveland.