

# Vision for Replication

The CIT team envisions the replication of our model under criteria ensuring that participating organizations possess the competence and capacity to implement a CIT successfully. To ensure success, we developed the CIT Tool Kit, which we will license. We are committed to assisting organizations who have variations from our pilot project with guidance on range of project types with case studies, strategies and solutions on four primary areas of project feasibility and design: 1) Property viability 2) Capitalization and financing steps and options; 3) Legal structures; 4) Operations, and 5) Community engagement.

## CIT Replication Principles and Goals:

First, **Identify Partners** who agree to the following guiding principles to support the replication of the CIT model in places of need and with a lead organization in each location with the capacity to create and manage a CIT. These may include Non-profits / Cities / Housing Agencies / Churches / Economic Development Agencies or a collaboration of these or other appropriate stakeholders.

- **Maintain Focus on Improving Financial Decision Making** – Through engaged community leadership, fiscal literacy and financial action trainings, and shared learning, community members will improve financial planning, decision making and take affirmative long-term action for themselves through investing.
- **Increase Financial Inclusion, Equitable Development and Reduce Asset Poverty** – Among low-income communities and with renters in diverse urban and rural communities by providing investors a path to build assets by investing in a profitable CIT. Engage also with people who have an “affinity stake” in the neighborhood as potential impact investors or supporters.
- **Improve Community Health** by engaging community members in a common cause to increase safety, unity, and community engagement through making an investment in the community in which they live.
- **Maintain and Build Community Oversight to Companion Community Ownership** by fostering leadership and the skills of a board of directors in corporate and fiduciary oversight, community social responsibility and accountability, and the promotion of environment and community health.

**Products for Initial Replication Feasibility Study (1-6 months done with organization to build their capacity; One-time Fee \$15K-\$25K LOE dependent):**

- 1. Organizational Self-assessment Tool and Staffing Requirements**  
(Helps assess an organization’s requisite skills to create and manage a CIT)
- 2. Community Mapping Tool**  
(Helps scan for the assets and gaps in a project’s geography)
- 3. Property Evaluation Tool**  
(Helps evaluate and score eight important project categories)
- 4. Property Financial Spreadsheets**  
(Excel spreadsheet for project pro-forma analysis of capitalization and profitability)

**5. Capitalization Options: Debt / Subordinated Debt / Equity / Grant Subsidy**  
(Augments the spreadsheets above with strategy on capitalization)

**6. Resources for Project Capitalization**  
(Outlines an approach to the range of partners in a capitalization stack; see chart below)

The six resource tools above comprise a comprehensive **Feasibility Study**, a format of which follows:

**People and Place:** Human Centered Design framework for research with target community and leaders.

- a. Target an area by zip codes and census tracts with research on demographics (age, ethnicity, education, income, renter- owner, time lived there-displaced from elsewhere. Perform short survey on savings, investing, voting, attendance at community meetings, joining neighborhood groups.
- b. Map institutions such as schools churches, community spaces, parks, affordable housing, libraries and other community spaces.
- c. Survey and gain feedback on pilot models, real or not.
- d. Survey what businesses people feel they would like but is missing in their neighborhood.

**Prospects (building on People and Place):** Institutional Scan and Evaluation

- a. From people above and throughout the community, identify leaders, influencers, funders.
- b. List and rank to a matrix of roles, competence, longevity and commitment.
- c. Gauge government, foundation, university, bank and real estate expertise and interest.

**Property and Product**

- a. On-off market utilizing CIT property evaluation tool.
- b. Fit with needs and desires from #1 above.

**Plan for Required Capitalization**

- a. Acquisition plan
- b. De-risking options
- c. Debt: Equity stack (senior bank debt, PRI/impact subordinated loan, grant/equity gap)
- d. Community Investment Amount
  - Capitalization will address:
    - Who takes risk in the development phase?
    - Who is the patient equity capital and how long?
    - Capital stack form, terms and over what time?

**Analysis, Recommendations and Action Steps**

- End Game – financial social returns calculation
- Rating of feasibility prospects

**Products for Post-feasibility Replication (single fee TBD based on project size and # of investors, estimated at 2-3% of property acquisition cost):**

**7. Investor Training and Curriculum**  
(Owning to Owning class curriculum, translations into five languages and delivery strategy)

**8. Legal Framework and Entity Formation**  
(Templates and rationale for legal structure)

**9. Board of Director Training**

(Guides how to form, shift and maintain competent fiduciary oversight for the CIT in the community)

#### **10. Communications, Public Relations Guidance**

(Media and marketing strategy and examples)

**Products for Ongoing Operations (annual service fee, depending on project size and number of investors estimated at \$18K for under 400 investors and \$24K for 400-1,000 investors):**

#### **11. Website: InvestCIT.com**

(Updated with relevant information for investors, locally focused. Platform for replicator projects)

#### **12. Access to Online Investment Management Portal and Customer Service Provider**

(Site for all investor and fund flow management)

#### **13. CIT and Investor Management**

(In addition to the portal above, we have developed a project flow chart and an operations plan. We will provide guidance on project operations and finance management. and investor management for a wide range of ethnic, religious and age groups)

#### **14. Annual Monitoring, Evaluation, Research, Learning and Impact Evaluation**

(This menu of impact tracking is both a design service and a monitoring and reporting service)

#### **15. Community of Practice Sharing and ongoing Learning with Replicators**

(This tool will be built as a method of sharing replicator learning and their experiences for the betterment of the model as it is replicated and for existing CIT projects to improve management over time)

### **Resources for Project Capitalization**

Our model, which is subject to variations based on the risk factors listed above, used **conventional bank debt** for the acquisition, subject to standard underwriting criteria, notably underwriting and loan covenants of an LTV of 75% and a DSCR (debt service coverage ratio) of 1.25:1. We believe that these covenants help assure an adherence to a risk profile that is appropriate for our investors and for the LC (letter of credit) as it increases over time. This long-term real estate debt could be made by a government entity, foundation or impact investor.

The down payment (or initial equity) for the property purchase came from Mercy Corps Northwest (a dba entity of Mercy Corps) and from two related **impact investors**. Their loans at indefinite terms were unsecured at interest rates of 2% and 4%, respectively. This debt is both subordinated to the bank debt and serves as the equity that is purchased over time by the community of investors over time as they invest \$10, \$25, \$50 or \$100 per month. This patient capital could come from, as it did in our case, from the lead organization and impact investors. It could also come from a government entity, likely a city, county or state economic development agency.

A key for us obtaining an LC was that the primary lender for the real estate also provided the LC under their structured loan underwriting and covenants. We believe that the LC could be supported by a deposit or other form of guarantee from a foundation or impact investor. The capital required for the purchase and rehab of Plaza 122 and the support of programming came from the following sources: