Impact Investment Opportunity – Closed
Urban Renaissance Gap Financing Fund
Catalytic Development Funding Corporation of Northern Kentucky

The Issue
The five urban core communities of Northern Kentucky – Covington, Newport, Bellevue, Dayton, and Ludlow – are older, formerly industrial areas facing economic distress and levels of poverty significantly higher than the State of Kentucky as a whole (21-23% compared to 17%). Kenton County has the second highest foreclosure rate in Kentucky. Without the catalyst provided by low-cost gap financing and public subsidies, including tax credits, private developers will (generally) not risk capital to revitalize distressed communities.

Social Return
Reverse neighborhood decline, prevent blight, and attract and retain businesses to provide jobs and services for residents of the urban core communities of Northern Kentucky. Success measures will include the number of housing and commercial units developed; the amount of co-investment in each project for which the Corporation provides gap financing; and the amount of additional community investment catalyzed by the Corporation’s development projects.

Strategy: Gap financing for commercial and residential real estate redevelopment
The Catalytic Development Funding Corporation (CDFC) is raising a $10 million fund to close financing gaps with secondary loans to a senior primary loan, preferred equity, or participating equity, for commercial and residential redevelopment projects. Future plans call for raising an additional $2 million each year until the fund reaches $20 million. Prior to GCF’s investment, CDFC had secured $9.5 million in commitments from six banks (PNC Bank, Bank of Kentucky, Central Bank, First Financial Bank, Fifth Third Bank and US Bank), one company (Corporex), and two foundations (Duke Energy, Carol Ann & Ralph V. Haile, Jr./US Bank Foundation). With GCF’s commitment, the $10 million goal has been realized and the Corporation will commence development activity.

Nonprofit Organization/Borrower
CDFC is a new nonprofit organization created in 2008 for the purpose of raising patient capital to invest in distressed urban core areas of Northern Kentucky. Its creation was inspired by Vision 2015. Thus far CDFC has only engaged in fundraising; no redevelopment deals have yet been undertaken. Executive Director Jeanne Schroer has extensive background as an urban planner and in real estate finance. Current board members include investors Bill Butler, Chairman of Corporex, and Chuck Scheper (Mayor of Covington). Going forward, the board will be comprised of investor representatives.

Investment Opportunity and Financial Return
The Greater Cincinnati Foundation has approved a $500,000 investment. The term for GCF’s investment is 2% for years 1-5 and 3% for years 6-7. Because other foundations and private investors will participate in the Catalytic Development Fund for 15 years, GCF’s investment will be held separately so that the exit from the fund can be achieved within seven years. Donor advised funds are invited to participate in $10,000 increments. Terms will be the same for GCF and donor advised funds.