



THE NASHVILLE CATALYST FUND

FUND OVERVIEW
SEPTEMBER 2024



BACKGROUND

2021 

The Affordable Housing Task Force identifies the need for a strike fund as 1 of 9 high-priority recommendations.

Council approved \$20M as seed funding for the Catalyst Fund to create a sustainable financing source that could move at the pace of the market.

2022 

RFP released in April to select a best-in-class vendor with a proven track record of successfully creating customized products in other markets. Forsyth Street Advisors was unanimously selected.

2023 

Forsyth Street begins contract in February, conducts market studies and options analysis. Recommendation is to establish independent fund, sponsored by CFMT.

Council approves CFMT grant agreement in August.

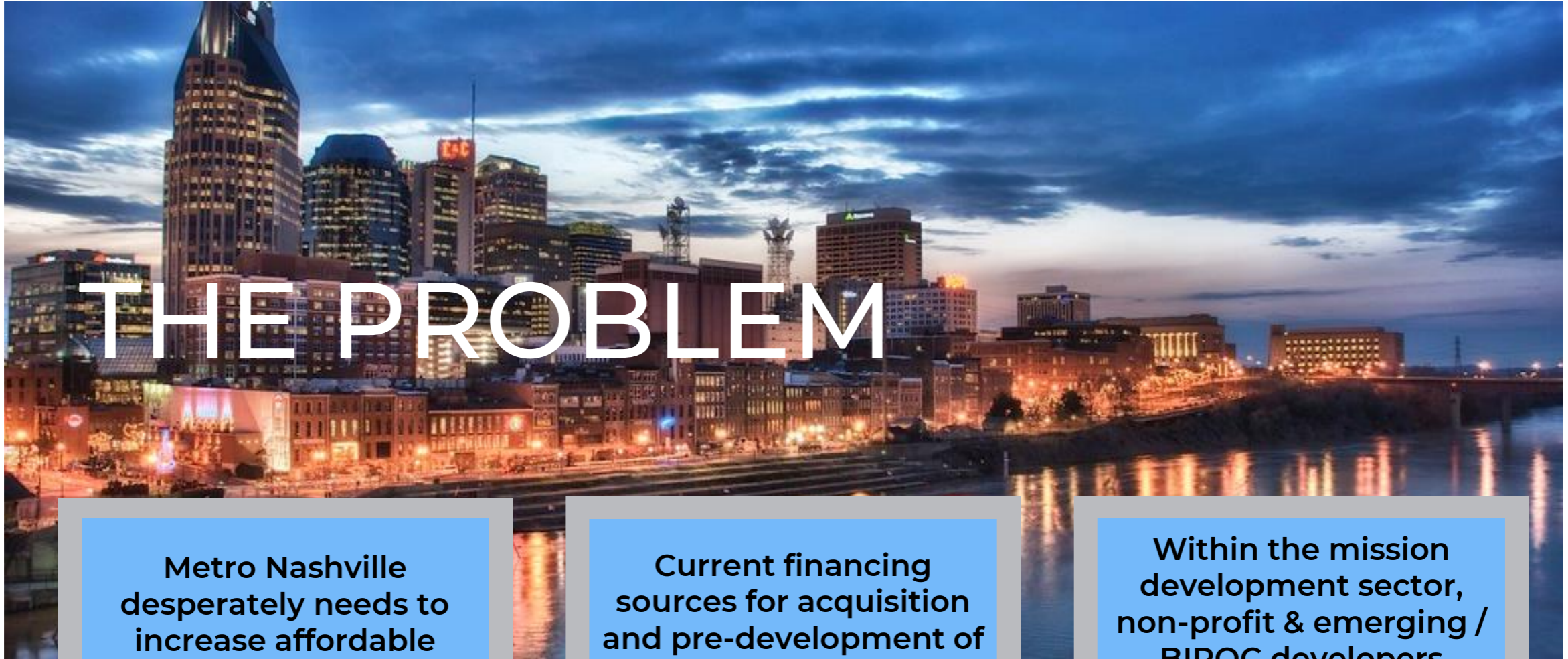
2024 

Creation of Fund legal structure, formation of Investment Committee, implementation of fund operating infrastructure.

OUR PURPOSE

The Catalyst Fund will provide early-stage capital to mission developers so they can be more competitive in the race to preserve existing regulated and unregulated affordable housing, and to accelerate the creation of high-impact affordable housing.





THE PROBLEM

Metro Nashville desperately needs to increase affordable housing development & preservation activity

Rising development and acquisition costs have limited the pace of development, falling fall short of demand for greater affordable housing options

Current financing sources for acquisition and pre-development of affordable housing are extremely limited

Developers are often unable to identify short-term financing that supports their projects financial feasibility in an increasingly competitive market

Within the mission development sector, non-profit & emerging / BIPOC developers are uniquely under-resourced

Public financing sources are not available in a timely manner – deals take years to put together before funds are available

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THE SOLUTION



The Fund provides loan products that are not available elsewhere in the market that can preserve the affordability of housing in an increasingly competitive market.



The Catalyst Fund is a new tool that responds to the specific conditions faced by affordable housing developers trying to increase affordable housing production in Nashville.



Loan products are specifically designed to include and support non-profit and emerging BIPOC developers within the affordable housing sector.

COMPARABLE FUNDS



SF Bay Area

- Preliminary focus was on bridge loans for City permanent loans for affordable housing projects
- Founded in 2017 with \$10mm in public capital
- As of June 2023, 2,208 units across 48 projects – average 47% AMI
- \$216mm capitalization, \$445mm invested to date



New York City

- Provides acquisition & pre-development capital to non-profits and M/WBE developers creating and preserving affordable housing.
- Founded in 2006 with \$8mm in public capital
- 15,200 affordable units across 95 projects
- \$173mm capitalization, \$618mm invested to date



Baltimore

- Works in alignment with the City using flexible capital to accelerate community development and affordable housing projects in majority Black neighborhoods.
- Founded in 2019 – invested in 38 projects, with 1,708 units of affordable housing at project completion
- \$60mm capitalization, \$46mm committed

All three funds have public representation in their governance with private fund management supported by Forsyth. Lifetime net write off rate of <0.25% across all three funds.



HOW THIS WORKS

By blending capital from a range of sources, the Fund provides early-stage capital to mission developers to support the preservation and creation of affordable housing in Nashville



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PUBLIC CAPITAL

Metro has provided up to \$19.5M in first-loss capital ARP funding that will seed the Catalyst Fund.

PRIVATE CAPITAL

The Catalyst Fund has a goal of leveraging Metro's funds at least 2:1 with capital from financial & philanthropic institutions.

PRODUCTS

The Fund offers short-term financing via predevelopment, acquisition and bridge loans to affordable housing developers.

EXECUTION

The Fund is independent of Metro and housed underneath the Community Foundation of Middle Tennessee umbrella to enable swift execution of transactions.

Programmatic guidelines are pre-set in coordination with Metro.



CAPITAL SOURCES

FINANCIAL INSTITUTIONS

The Fund has secured a \$50 million senior secured revolving credit facility, led by First Horizon Bank.

Collectively, they are in active discussions to add additional CRA-motivated banks to the syndicate.

This capital allows the Fund to scale, while offering a viable strategy and outlet to Community Reinvestment Act-motivated investors.

FOUNDATIONS & CORPORATE

Opportunity to make Program Related Investments (PRI) in fund for recourse term debt.

Opportunity for grant funding as well.

Investments are potentially attributable to required charitable distributions & are a major impact driver for the Fund.

METRO GOVERNMENT

\$19.5 million grant from Metro to capitalize the Fund and provide first-loss credit enhancement.

Allows the Fund to add leverage to achieve scale, while enabling the production and preservation of affordable housing units across Metro Nashville.

Local CDFIs may serve as participants in and/or originators of larger acquisition loans. Co-lending with larger, national CDFIs also a possibility.

HOW THE FUND INVESTS IN AFFORDABLE HOUSING

1

ACQUISITION LOANS

Focused on acquiring occupied multifamily preservation and land for affordable housing development.

Concessionary terms (rate, LTV, term, etc.) enable mission-driven developers to be more competitive in preserving affordable housing and acquiring high opportunity parcels for development.

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PRE-DEVELOPMENT LOANS

Focused on delivering early-stage capital for projects and developers that have limited capital access, specifically:

- i) high priority developments, likely on public land and other locations where land is not available for collateral
- ii) emerging BIPOC developers with limited capital

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BRIDGE LOAN

Focused on bridging subsidy sources for projects that would otherwise be delayed trying to find financing sources that accept grant repayment risk.

HOW THIS WORKS

ORIGINATION

Borrower interface led by Pillars Development with support from Nelson Community Partners as needed.



UNDERWRITING & CREDIT

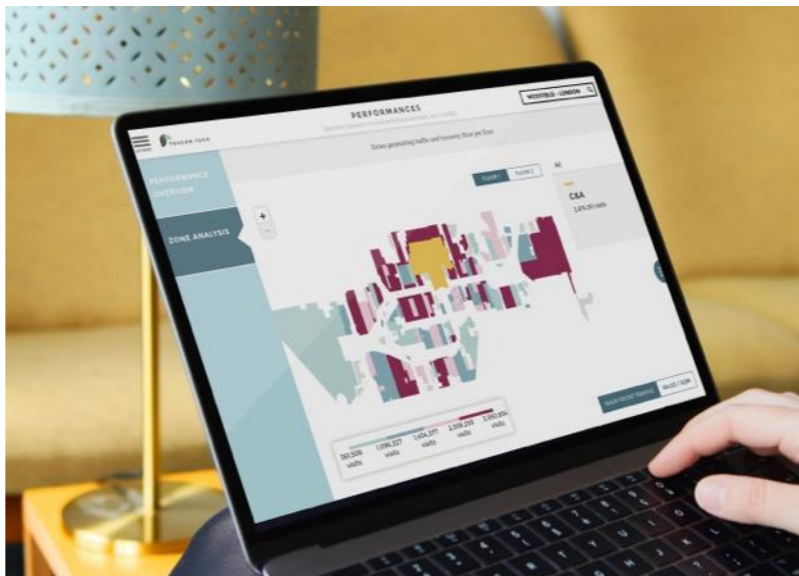
Investment Committee oversees credit decisions

Credit analysis led by Forsyth Street with additional support from Pillars Development & Nelson Community Partners



CLOSING & TREASURY MANAGEMENT

Led by Forsyth Street



MONITORING & INVESTOR REPORTING

Led by Forsyth Street

Pillars Development & Nelson Community Partners support borrower interface



PROJECTED IMPACT

Over 10 years, an \$80mm Catalyst Fund could accelerate the preservation or creation of **+3,100 affordable homes for Nashville residents across 75 projects**

On behalf of the Catalyst Fund team, thank you for the opportunity to provide an overview of the Fund. Your support and partnership is highly appreciated and valuable to this effort.

For any questions or requests for additional information, please feel free to reach out to the consulting team directly, or to info@nashvillecatalyst.org.