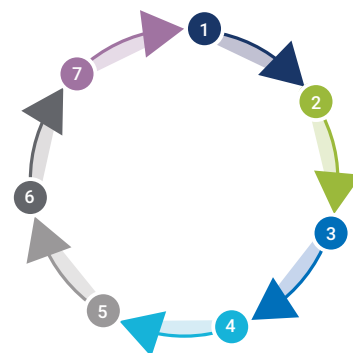


The Lifecycle of a Place-Based Impact Investment and CCM's Role

While each place-based investment opportunity is unique, a common thread is the series of steps and participants needed to move a community revitalization project from concept to completion. This perspective highlights a place-based impact investment and CCM's role, while illustrating how investors can support a project at multiple stages (for example, a foundation that provides early-stage grant funding and later lends to the project through long-term mortgage financing).

The Stages of Place-Based Impact Investments

The diagram illustrates a common lifecycle for a place-based investment. Each stage depends on the others for success and on an efficient transition from one stage to the next. Coordinating early-stage financing from multiple sources can be particularly challenging for ambitious projects, such as rehabilitating multifamily housing in low- and moderate-income (LMI) urban neighborhoods. Because capital sources may operate in silos, successful projects require careful planning and coordination across the groups involved in construction, management, ownership, and financing.



1

Initial Plan & Project Specifications

Typically developed through partnerships among government agencies, nonprofits, and developers.

2

Project Financing Plan

Project financing is assembled, often with subsidies, grants, or other support from local and federal government agencies and/or nonprofit organizations.

3

Lending

Banks and other lenders are selected to provide financing for project development and construction.

4

Construction

Following the bidding process, demolition, construction, and other project-related work begins.

5

Approvals & Stabilization

Upon completion, the developer secures required tax credit approvals, occupancy permits, and leases in preparation for permanent financing.

6

Permanent Financing

The developer obtains a mortgage from a local or federal agency specializing in affordable rental housing finance.

7

Public Market Capital

The agency accesses public market capital through a bond issuance to fund the mortgage. CCM purchases the bond, helping meet a client's regional or place-based investment objectives.

CCM typically participates in Step 7 by purchasing bonds issued by federal or local government agencies to help fund the mortgages on completed properties. On occasion, CCM may participate in Step 3 by purchasing bonds that finance project development or construction loans.

Place-Based Impact Investment Case Study:

Beecher Terrace III

Louisville, KY (Russell Neighborhood)

Russell is a historically Black neighborhood just west of Louisville's central business district. In the past, Russell was a vibrant and diverse hub of Black-owned businesses that served the neighborhood, created jobs, and contributed to neighborhood resilience.¹

Place-Based Impact Investment: Stages 1, 2, 3

By the 1940s Russell was known as "Louisville's Harlem" for its strong African American business presence along Walnut Street (today Muhammad Ali Boulevard) between 6th and 13th streets. Theaters, restaurants, grocers, and professional offices thrived along this stretch. Neighborhood decline began after World War II and intensified during misguided urban renewal efforts in the 1960s that demolished the commercial area along Walnut Street. Beecher Terrace was built in 1941, replacing seven traditional neighborhood blocks, including four along Walnut, with superblock-format public housing.² The property originally comprised four "super" blocks on 31.4 acres, with a total of 758 one-, two-, and three-bedroom apartments and amenities, including the historic Baxter Community Center.³ During the latter half of the 20th century, many inner city neighborhoods with majority Black and African American populations fell into decline, neglect, and crime. Russell was no different.⁴

Place-Based Impact Investment: Stages 4, 5, 6

In January 2015, the Louisville Metro Housing Authority (LMHA) was awarded a \$425,000 Planning Grant from the Department of Housing and Urban Development (HUD) to develop a "Transformation Plan" focused on the redevelopment of the Beecher Terrace public housing community and investments in the surrounding Russell neighborhood. It was matched by a \$600,000 leverage contribution from Louisville Metro Government (LMG).⁵ After a successful community-driven engagement process, LMG and LMHA were jointly awarded a \$29.5 million Implementation Grant in December 2016 to make the Vision Russell Transformation Plan a reality.⁶

The first phase of revitalization in Russell in 2018 was funded by a \$1 million HUD Action Grant with a \$375,000 leverage contribution from LMG, which went toward Action Activities — physical projects that would spur additional community improvement and economic development in the neighborhood. The \$29.5 million HUD Implementation Grant funds are being used over seven years for the replacement of the Beecher Terrace housing complex and critical community improvements in the Russell neighborhood. As part of the major revitalization effort, the buildings of Beecher Terrace are being demolished or renovated in multiple phases. In total, the new housing complex will feature 620 rental properties and 20 homes for ownership. More than 450 units will be offered at affordable prices to lower-income families, while 186 units will be set at market rates.

The project is supported by \$200 million in additional public and private investment in the neighborhood, and in 2019, it received another \$5 million in Choice funds. The housing plan is financed through a public-private partnership between McCormack Baron Salazar, LMHA, Louisville Metro Government, Kentucky Housing Corporation, HUD, and other partners. The partnership also leverages low-income housing tax credits, private mortgage debt, local and state funding, and philanthropic sources.⁷



Image Source: <https://visionrussell.org/beecher/#1476970787055-cc652c2c-920d>

Housing Project Timeline

Demolition of the housing project began in 2017 with construction completion expected to occur in August 2025.⁸

- 1 Phase One**
(completed December 2020)
117 apartment units for people 55+
- 2 Phase Two**
(completed February 2021)
108 apartment units
- 3 Phase Three**
(completed October 2022)
185 apartment units
- 4 Phase Four**
(to be completed August 2025)
210 NEW apartment units

Other community efforts include Urban Strategies, Inc., managing a \$4 million effort to connect the lowest-income residents with supportive services utilizing public sector stakeholders and service partners. Beecher Terrace households that have been relocated during construction will have a lifetime preference for returning to the new site. Business development initiatives include the expansion of an existing Small Business Accelerator. The partnership will also form a collection of Black professionals to provide "back office" services to Black businesses. In addition, LHOME, a local Community Development Financial Institution (CDFI), is helping to grow Black-owned businesses with a range of offerings: flexible and small business lending, equity-based down-payment assistance, credit-building products, and seed grants.⁹

CCM's Role in Beecher Terrace III

The final stage of a place-based impact investment is typically a permanent financing takeout, where an investor will own a mortgage or similar investment instrument on the rejuvenated property. In this case, CCM invested in an agency commercial mortgage-backed security (CMBS) financing Beecher Terrace III, the third phase of the project. Of the 185 units in this phase, 103 units (56%) are reserved for low-income residents. Specifically, 37 units are Low-Income Tax Credit (LIHTC)-only affordable units, and 66 are Project-Based Voucher (PBV)/LIHTC units. The PBVs are committed pursuant to a Section 8 HAP contract to this development. The initial term for the PBVs is 20 years.

When the Beecher Terrace construction project began in 2020, 50% of the population in this census tract was living below the poverty line. In 2023, that number dropped to 30% of the population living below the poverty line. While we do not assert that this project was the only contributor to the decline, we believe it shows how positive changes in the broader community help to uplift the neighborhood and its residents, thus leading to less poverty. In this case, one of the essential components to the Choice Neighborhood Grant is the Community and Supportive Services (CSS) plan. The CSS plan was designed to prepare individuals to transition from Beecher Terrace to their new communities during the revitalization process, offering services that support success in the workplace and move families toward a path of self-sufficiency. Programs and services, listed below, include needs assessments and comprehensive case management services for all Beecher Terrace residents:

- Healthcare services that are accessible and affordable, including the HUD health initiative "With Every Heartbeat is Life," which focuses on self-help management for chronic illness
- Job placement
- Financial skills training
- Scholarships for residents who are high school/GED graduates and wish to pursue higher education
- Recruitment for early childhood education programs
- Transportation assistance
- Homeownership counseling and a Section 8 homeownership program that offers subsidy toward a mortgage payment for eligible candidates



The redevelopment of Beecher Terrace III is increasing the availability of high-quality, mixed-income housing, which is a key component to making neighborhoods safer, stronger, and more vibrant. It is also part of a much larger effort to revitalize the Russell neighborhood and the greater West Louisville area.¹⁰

We believe one of the most impactful aspects of the neighborhood's revitalization efforts and the update to Beecher Terrace is to hear first-hand its impact on residents. Mechele Turner, a resident of the original Beecher Terrace who is living there once again following its revitalization, said:

“ *I first moved to Beecher Terrace in 2008 into the Sober Living Facility, and it truly transformed my life. As I recovered, Beecher became my permanent home, and I began to take pride in my neighborhood. I got involved in programs and meetings to improve the neighborhood; that's where I met John Hawkins and Kathleen O'Neil, some people with the Housing Authority that were working with the community to revitalize the neighborhood. I participated in committees that helped plan Russell and Beecher Terrace's recreational amenities. Now that the first couple of phases of Beecher are done, I moved back in, almost into my same unit, with the same view, but not the same view. I have a brand-new apartment with my own washer and dryer. We have a swimming pool, and the Baxter Community Center is about to open back up. It's going to be a place for the kids to go, instead of hanging out in the streets. The Russell neighborhood has always had a bad reputation. This new Beecher has helped to fade the line people put between 8th and 9th streets. The new Beecher is fabulous, and I would encourage anyone looking for housing to come over and apply — it's easy!*”



Image Source: <https://www.beecherterrace-aps.com/photogallery?nocache=1>

¹ <https://www.russellpromise.com/about>

² <https://visionrussell.org/about/russellneighborhood>

³ <https://www.nlc.org/article/2023/02/24/how-choice-neighborhoods-is-transforming-louisvilles-russell-neighborhood/#~:text=Originally%20built%20in%201939%2C%20Beecher,the%20historic%20Baxter%20Community%20Center>

⁴ <https://www.tandfonline.com/doi/abs/10.1080/15575330.2015.1008533>

⁵ <https://visionrussell.org>

⁶ <https://www.nlc.org/article/2023/02/24/how-choice-neighborhoods-is-transforming-louisvilles-russell-neighborhood/#~:text=Originally%20built%20in%201939%2C%20Beecher,the%20historic%20Baxter%20Community%20Center>

⁷ <https://www.mccormackbaron.com/community-profiles/beeche-terrace>

⁸ <https://www.courier-journal.com/story/news/local/2019/04/01/work-starts-new-louisville-affordable-housing-complex/3245246002/>; <https://louisvilleky.gov/news/beeche-terrace-breaks-ground-fourth-and-final-phase-21347-million-mixed-income-community>

⁹ <https://53neighborhoodinvest.org/neighborhood/russell-louisville>

¹⁰ <https://louisvilleky.gov/news/beeche-terrace-breaks-ground-fourth-and-final-phase-21347-million-mixed-income-community>

¹¹ <https://www.nlc.org/article/2023/02/24/how-choice-neighborhoods-is-transforming-louisvilles-russell-neighborhood/#~:text=Originally%20built%20in%201939%2C%20Beecher,the%20historic%20Baxter%20Community%20Center>

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