



ST. LOUIS DEVELOPMENT CORPORATION

Tishaura O. Jones • Mayor
Neal Richardson • President & CEO

1520 Market Street • Suite 2000
St. Louis, MO 63103
314.657.3700 • F: 314.613.7011
developstlouis.org

To: City of St. Louis Board of Aldermen's Committee of The Whole
From: Neal Richardson, Chairman, President, & CEO of the St. Louis Development Corporation
Date: June 4, 2024
Subject: Establishment of a \$100M Revolving Loan Fund Leveraging \$20M from Rams Settlement Funds

Purpose

This memo outlines the establishment of a **\$100M Revolving Loan Fund (RLF)**, leveraging **\$20M from the Rams Settlement Funds**. This \$100M RLF will generate approximately \$400M in total investment over a 20-year period (assuming the funds revolve every 5 years) with a projected rate of return of 2-3% per year from the initial Rams Settlement Funds to cover administrative expenses, operating costs, and reserves for potential loan defaults. This initiative aims to support key development and economic activities within underinvested neighborhoods and to provide essential financial assistance to small, disadvantaged businesses and nonprofit organizations.

Key Activities Supported by the Revolving Loan Fund

1. **Redevelopment of Properties in Underinvested Neighborhoods:**

- **Allocation:** \$50M (\$10M Rams Settlement Funds)
- **Program Model:** The initial goal is to raise approximately \$50 million to fund capital source gaps such as pre-development or mezzanine financing¹ to support development in Economic Justice Index Areas 1 through 3 of the Economic Justice Action Plan. This fund will provide below-market capital to support projects **and** provide a return to investors.
 1. Philadelphia Accelerator Fund (PAF)² Philadelphia Accelerator Fund - Philadelphia Accelerator Fund is a nonprofit loan fund created in 2019 to invest in affordable housing and equitable neighborhoods for Philadelphia. PAF provides flexible financing for affordable housing and works to increase access to capital for historically disadvantaged groups, with a focus on Black and Brown developers. PAF's products and services are designed to be flexible and impactful. They can be used for a variety of project types, including mixed-use and mixed income. PAF strives to do things differently: reviewing projects based on their social impact, focusing on reversing traditional capital access barriers, and providing support services to help developers and projects get the capital they need.”
- **Objective:** To stimulate economic growth and improve living conditions in neighborhoods that have been historically underserved and underinvested.

¹. Mezzanine financing combines debt and equity investments subordinate to other project-related investments. It is used as a key tool to attract other financing.

². PHLFUND.COM



ST. LOUIS DEVELOPMENT CORPORATION

Tishaura O. Jones • Mayor
Neal Richardson • President & CEO

1520 Market Street • Suite 2000
St. Louis, MO 63103
314.657.3700 • F: 314.613.7011
developstlouis.org

2. Support for Small and Disadvantaged Businesses and Nonprofit Organizations:

- **Allocation:** \$30M (\$6M Rams Settlement Funds)
- **Program Model:** Modeled after the St. Louis Development Corporation's (SLDC) ScaleUpSTL program, the initial goal is to raise approximately \$30 million to provide traditional SBA 7a & commercial loan products available to qualified borrowers ranging from \$10,000 to \$5M as low as 1.5% APR below prime to .5% above prime.
- **Objective:** To provide access to low-cost loans with flexible terms, facilitating growth and sustainability for small and disadvantaged businesses and nonprofit organizations.

3. Support for Disadvantaged Suppliers and Contractors:

- **Allocation:** \$20M (\$4M Rams Settlement Funds)
- **Program Model:** Modeled after the SLDC's MobilizeSTL program, these low-interest loans help bridge the costs of initial contract mobilization, allowing small and disadvantaged suppliers and contractors to deliver on contract terms from day one, well before regular pay cycles begin.
- **Objective:** To offer financial support through loans, enhancing the capacity and opportunities for disadvantaged suppliers and contractors.

Structure of the Revolving Loan Fund

- **Public Investment:**
 - \$20M from the Rams Settlement Funds will be distributed across the three primary product offerings with the expectation of a return of capital and principle
 - Rate of Return: Approximately 2-3% rate of return to cover administrative and operating expenses, and potential loan defaults.
 - Revenue Stream: This investment will generate an estimated gross revenue of \$400,000 to \$600,000 annually from the earned interest. The return of principle will be reinvested into future projects.
 - Total Investment: \$70-100M over a projected 20-year period
- **Philanthropic Grants:**
 - \$5M from an individual, organization, foundation, or entity that provides philanthropic grants to support the RLF to advance the goals of the fund with no expectation of a return on capital or return of capital.



ST. LOUIS DEVELOPMENT CORPORATION

Tishaura O. Jones • Mayor
Neal Richardson • President & CEO

1520 Market Street • Suite 2000
St. Louis, MO 63103
314.657.3700 • F: 314.613.7011
developstlouis.org

- **Use of Funds:** The philanthropic grants will support the fund to extend access to capital at below market interest rates and be utilized as a loss reserve to incentivize investment to historically underserved businesses, developers, and communities.
- **Impact Investor:**
 - \$25M from an individual, financial institution, or entity who seeks to invest in advancing the goals of the RLF with the expectation to realize a below-market rate of return on capital over an extended period of time and return of capital.
 - **Projected Rate of Return:** Approximately 3-5% rate of return to be invested over a 5-7 year term with the option to extend over the 20-year projected life of the RLF.
 - **Total Investment:** \$70-100M over a projected 20-year period
- **Traditional Financial Institutions:**
 - \$50M investment from a traditional financial institution or banking partner to support the goals of the RLF with an expectation of a return of capital and a market rate of return on capital over a limited period of time.
 - **Projected Rate of Return:** Approximately 6.25-9% rate of return to be invested over a 7-10 year term with the option to extend over the 20-year projected life of the RLF.
 - **Total Investment:** Total Investment: \$165-200M over a projected 20-year period

Conclusion

This memo proposes the use of \$20 million from the Rams Settlement Funds to establish a \$100 million RLF. The SLDC estimates a total of \$400 million in strategic investments over 20 years to revitalize our city's economy. This fund will prioritize underinvested neighborhoods and support disadvantaged businesses to promote economic justice and sustainable development.

Thank you for your attention to this important matter.

Sincerely,

Neal Richardson
President & CEO

³ Average loan rates to small businesses by financial institutions, as of June 4, 2024.