

The Miami Foundation

Miami Open for Business

Supported by Wells Fargo

Collective Real Estate Ownership (CREO) Overview

1.18.2024

In today's info session...

- ✓ Get to know the Open for Business program and the **CREO** product
- ✓ Understand the **application requirements** and what we look for in a strong proposal
- ✓ **Meet one of the CREO awardees** who successfully closed on a property last year
- ✓ Learn about **resources** you can access to assist with your application

Open for Business

- We support **historically underserved** small businesses and nonprofits in Miami-Dade County
- **Purchase critical business assets**, such as technology, equipment, machinery, vehicles inventory, and property
- Funded by a \$20M **Wells Fargo** grant devoted to asset building
- Partnered with local community lender, **PSE**



We offer 3 different financial products for businesses at varying stages of their growth journey

Technology and Equipment Microgrant



Grant

Up to \$20K

To buy **hardware, software, and machinery and equipment.**

Asset Building Loan for Entrepreneurs (ABLE) Fund



Low-interest loan

(3% for businesses, 0% for nonprofits)

Up to \$100K

To buy a **vehicle, inventory, renovations,** or **refinance predatory debt** used for assets

Collective Real Estate Ownership (CREO) Funding



Forgivable loan

Up to \$500K

To cover **down payment & closing cost** for shared commercial real estate in certain historically underinvested neighborhoods

2024 Funding Cycle

■ Technology and Equipment Microgrant

- Opens on Friday 3/1
- Closes on Friday 5/31
- Notified in July

■ ABLE Loan Fund

- Opens on Friday 3/1
- Closes on Monday 9/30
- Notified within 8-10 business days

■ Collective Real Estate Ownership

- Due by 2/15 or 4/15
- Notified by the end of following month
- Example: Apply by 2/15, notified by 3/31



To be eligible to apply...



Located in
Miami-Dade
County



Owner is
disabled, Black,
Latino, Middle
Eastern/ North
African, Native/
Indigenous,
LGBTQ, veteran,
or refugee



In operation at
least
2 years



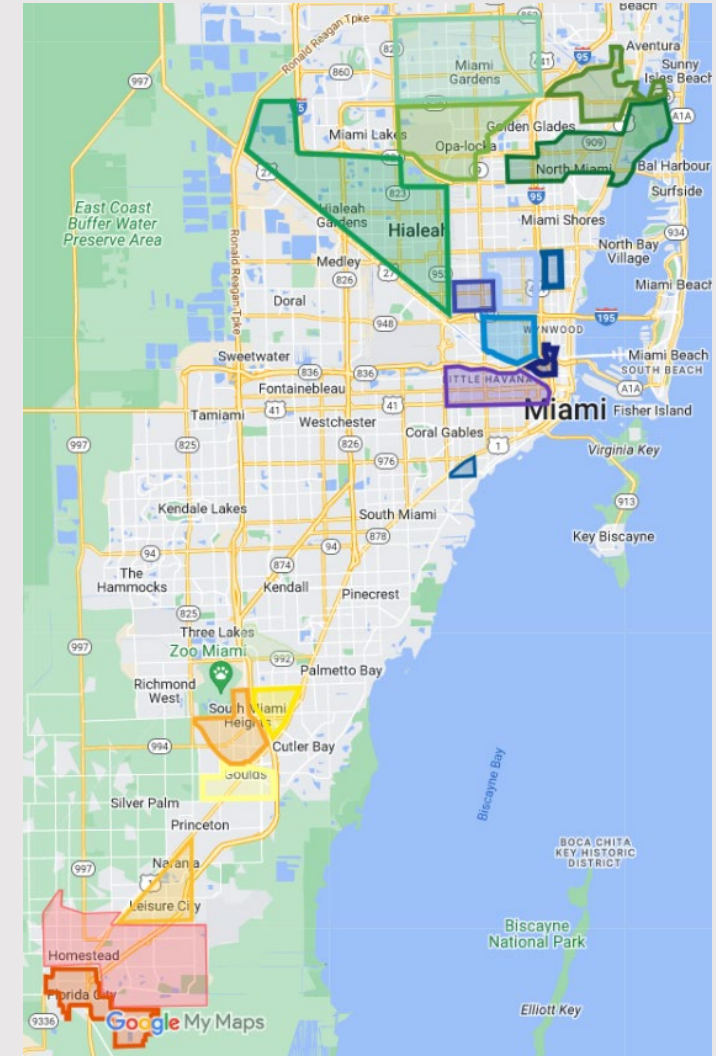
Annual revenue
or operating
budget **less than**
\$1 million*

** \$1M maximum does not
apply to CREO, but must
still be small business*

OFB Priority Neighborhoods

- **Purpose:** To support historically underinvested communities
- **Microgrant** and **ABLE loan** applications receive a few extra points during review
- **Collective Real Estate** applicants must be from one of these communities
 - **North Dade:** Hialeah*, Miami Gardens, North Miami, North Miami Beach, Opa Locka
 - **Central Dade:** Allapattah, Brownsville, Liberty City, Little Haiti, Little Havana*, Overtown, West Coconut Grove
 - **South Dade:** Goulds*, Homestead, Leisure City, Naranja, Perrine, Richmond Heights, South Miami Heights*

**New in 2024*



Goal of CREO

The objective of this program is to help **root minority small businesses** and nonprofits in communities that have been **historically underinvested** and are at greatest risk of displacement and gentrification by providing **down payment and closing cost assistance** to facilitate the purchase of **commercial real estate** through a **shared equity or collective ownership** model



CREO Real Estate Funding Details



Collaborative

- 2 or more organizations, can be nonprofit, for-profit, combination
- Lead applicant applies on behalf of the collective
- Must have all organizations and equity % split identified
- Property is small business owner-occupied real estate



Down Payment & Financing

- Down payment: Up to 20% of purchase price and closing costs
- Total request not to exceed **\$500,000**
- Must secure senior mortgage to finance remainder
- Pre-closing costs like inspection are paid out-of-pocket



Forgivable Loan

- The CREO forgivable loan has a 5-year term
- 1/5 of the loan is forgiven each year, provided that:
 - Property not resold, collective ownership model is retained, minimum number of jobs and/or businesses

Shared ownership models

Community Land Trust

An entity purchases the property as the steward of a community land trust and offers purchase opportunities, owning the property in perpetuity to keep affordability

E.g., A CDC or 501c3 purchases a commercial facility and offers an ownership stake for each unit to business owners at affordable rates

Shared Space

A property with opportunities for multiple vendors to lease or purchase their stall

E.g., Food hall, coworking space, farmers market, boutique, craft fair, flea market, etc.

Joint Tenancy

A purchase wherein property rights are divided amongst more than one party during sale (e.g., 50/50 or percentages)

E.g., Two business owners jointly co-own a salon or restaurant; 5 business partners divide property rights into 20%

Co-operative Ownership

A purchase where any party (business owners, community members, etc.) can buy shares of the overall property and is governed through a board

E.g., An entity purchases a building and offers residents the opportunity to “buy in” via shares

Application Questions



Project Overview

- Describe the current site, including address and backup address
- Describe future plans for use
- Additional activities to take site from closing to occupancy



Collaborative Overview

- Describe the shared ownership model and governance plan
- Roster of all organizations to co-own the property
- Whether you have a relationship with a mortgage lender, realtor, attorney, etc.



Financial Overview

- Purchase price
- Detailed plans for financing
- How much your collaborative will contribute
- Estimated monthly payment and rental income
- Current rent obligations



Impact Overview

- How the community will benefit from this project
- The number of full-time quality jobs associated with the project
- Any other economic impacts



Initial Due Diligence

- Whether your organization has ever been under audit, tax status revoked
- Whether your organization is subject to any litigation
- Whether your organization is subject of any negative press, etc.

Required Attachments



Project Documentation

- Detailed project **timeline**
- Project **budget** using CREO **required template***



Organizational Documentation

- **Resume** for lead of all owner organizations
- **Business plan** or strategic plan for lead organization
- Draft **operating agreement** describing business terms



Financial Documentation

- Two years of **tax statements** for all owners
 - Form 990 (nonprofit) or business tax return
- Annual **operating budget*** for all owners
 - Ensure it includes both income & expenses
- Income or **profit & loss statement*** for all owners
- **Pro forma** financials* for the collaborative
 - Including all projected monthly income & expenses
- Mortgage **pre-qualification** and purchase agreement, if available

* Templates for financial documentation are available, but not required to be used.

** If selected as a finalist, additional documentation will be requested, such as a background search and financial information such as bank statements, tax returns, debt schedule, date of birth, SSN, TIN/ITIN, EIN, etc.

Budget Template

FUNDING SOURCES	AMOUNT	NOTES
OFB CREO Recoverable Funding Request	-	May not exceed \$500,000 or 20% of purchase price
Additional Down Payment	-	Additional equity contribution from the collaborative
Funding Source #1	-	May refer to additional donations, capital investments or mortgage financing
Funding Source #2	-	
Funding Source #3	-	
Total	\$ -	

Collaboratives that can provide some equity contribution will be prioritized during review and scoring

All applicants are expected to finance the remainder of the purchase price, whether through grants, loans (mortgage financing), or self-funding through the business (i.e., equity)

EXPENSES AND USES	Total Costs	Eligible to be Covered by OFB Funding	Covered by Other Funding
ACQUISITION			
Land & Building Acquisition	-		-
CONSTRUCTION/ SITE IMPROVEMENTS			
Construction Costs and Site Work	-		-
Site Work	-		-
Contractors Fee	-		-
Construction Contingency	-		-
FF&E (furniture and appliances)	-		-
Permits	-		-
Tap & Impact Fees	-		-
Survey	-		-
Insurance (Liability - during construction)	-		-
PROFESSIONAL FEES			
<i>Incurring before closing</i>			
Appraisal	-		-
Inspection Fees	-		-
Architect Fee - Design/ Supervision	-		-
Engineering Fee	-		-
Environmental Report	-		-
Market Study	-		-
<i>Incurring at or after closing</i>			
Accounting/Bookkeeping Fees	-		-
Loan/Mortgage Fees	-		-
Legal Fees	-		-
CLOSING COSTS			
Property Taxes	-		-
Title Insurance	-		-
Utility Connection Fees	-		-
Title and Recording	-		-
Total Costs	\$ -	\$ -	\$ -

This may be equivalent to the purchase price; if you are financing additional capital improvements, this number will be greater

Grey cells denote costs incurred by the collaborative

Green cells denote costs that can be covered by OFB funding

Equivalent to funding request in C6

New Operating Agreement

- CREO collectives form a **joint venture** to hold title
- Many only discuss business terms in passing!
- Putting them on paper helps get clarity about important decisions
 - For example, *who are the members? How often will they meet? What decisions are they allowed to make? What decisions require unanimous agreement? What happens if one of the owners exit?*
- These questions and more are answered in a legal document called an **operating agreement**
- We can't provide a template, but we will share a **checklist of items to consider** when drafting an OA
- If you need legal resources, we suggest Legal Services of Greater Miami



Optional Financial Templates

Income or P&L Statement:

This view of your finances assesses all incoming revenue, outgoing expenses, and whether there is a surplus or deficit.

It is a *retrospective* look at financial performance, compared to a *forecast* or *future* budget.

	ACTUAL	ACTUAL
	2022	2023
REVENUE		
Gross Sales	\$ -	\$ -
<i>Less Sales Returns and Allowances</i>	\$ -	\$ -
Other Revenue (ex: Donations)	\$ -	\$ -
Other Revenue (ex: Memberships)	\$ -	\$ -
NET SALES		
COST OF SALES		
Beginning inventory	\$ -	\$ -
<i>Plus Goods Purchased or Manufactured</i>	\$ -	\$ -
TOTAL GOODS AVAILABLE	\$ -	\$ -
<i>Less ending inventory</i>	\$ -	\$ -
TOTAL COST OF GOODS SOLD (COGS)		
GROSS PROFIT (LOSS)		
OPERATING EXPENSES		
Salaries and Wages	\$ -	\$ -
Employee Benefits	\$ -	\$ -
Payroll Taxes	\$ -	\$ -
Insurance	\$ -	\$ -
Advertising & Marketing	\$ -	\$ -
Bank Charges & Merchant Fees	\$ -	\$ -
Business Licenses & Permits	\$ -	\$ -
Charitable Contributions	\$ -	\$ -

Pro Forma for Operating the Property:

Many collaboratives plan for the monthly mortgage (principal + insurance) but fail to account for other costs. For example: taxes, property insurance, maintenance, lawn & pest, and more. This is what a *pro forma* (hypothetical) budget helps identify.

PRO FORMA REAL ESTATE COLLABORATIVE TEMPLATE				Customize / enter values in purple cells	
COMMERCIAL RENTS (Annualized)					
Co-Owner Mortgage Contribution	Square Footage	\$/SF/Year			Debt Service / Bank Mortgage
Owner 1	0	\$ -	\$ -		Principal (\$) \$ -
Owner 2	0	\$ -	\$ -		Interest Apr (%) 0.00%
Owner 3	0	\$ -	\$ -		Amortization In Years \$ -
Owner 4	0	\$ -	\$ -		Loan Amount (\$) \$ -
Owner 5	0	\$ -	\$ -		Monthly Payment (\$) \$ -
Total Owner Payments	0		\$ -		Annual Debt Service (\$) \$ -
Leasing	Leaseable SF	\$/SF/Year	Annual Rent		Vacancy and Collection Loss
Tenant 1	0	\$ -	\$ -		Vacancy Rate (%)
Tenant 2	0	\$ -	\$ -		Missed Payments (%)
Tenant 3	0	\$ -	\$ -		
Total Lessee Payments	0		0		Total Potential Loss \$ -
Additional Tenant Fees	Leaseable SF	\$/SF/Year	Ten. Cont.		
Tenant Contributions	0	\$ -	\$ -		
Tenant Contributions	0	\$ -	\$ -		
Tenant Contributions	0	\$ -	\$ -		
Total Tenant Contributions	0		0		
TOTAL INCOME					
Owner Income	\$ -				
Renter Income	\$ -				
Tenant Contributions	\$ -				
Other Income	\$ -				
Potential Gross Income	\$ -				

Scoring and Review Criteria

After the deadline, **3 reviewers** read each proposal and assign a 1-5 score along the following **metrics** before proposals are reviewed by an expert **investment committee**:

Project Overview

Proposed use of property is feasible and aligns with OFB goals to support small businesses.

Property owners and employees well represent historically underserved background(s).

Shared Equity

Proposed shared ownership model is concrete, thoughtful, and aligns with OFB goal of shared equity.

Financial Overview

Proposed plan to secure financing, payment estimates, etc. are sound and attainable.

The applicant's financial documents substantiate their organizational and financial capacity.

Impact Overview

Occupants will provide high-impact and value-add goods or services.

Project will have a positive benefit for the surrounding community.

Example: Scoring Metric

Financial Overview

Proposed plan to secure financing, payment estimates, etc. are sound and attainable.

The purchase price will be difficult to meet, relative to the funding amount requested, the equity contribution from the collaborative, and/or the organization's financial statements (showing reserves, cash flow, etc.).
The proposed mortgage payment does not correspond to the organization's budget and/or the estimated rental income does not sound feasible based on the proposed occupants.

The collaborative has a solid plan to secure additional financing (i.e., mortgage or self-funded), they are committed to contributing some of their own equity to the transaction, the estimated monthly mortgage is feasible based on the organization's financial statements and operating budget. The estimated rental income is realistic and will help ensure they can meet the monthly payment.

The applicant's financial documents substantiate their organizational and financial capacity.

The operating budget and/or financial statements cast doubt into the organization's ability to cover the monthly mortgage, or afford the cash equity contribution to the transaction. The project budget is unreasonable or unrealistic. The business or strategic plan has too many assumptions and casts doubt into the organization's ability to remain operational.

The operating budget and future projected revenue align with the anticipated monthly mortgage obligation. The business model and/or strategic plan show thorough understanding of the organization's growth potential and ability to remain operational. The project budget is realistic given the anticipated costs of acquisition, remodeling, etc.

Example: Response

QUESTION: Please describe your governance plan for instituting the shared ownership model. I.e., How will businesses be given the opportunity to lease/own their share? What procedures will govern future sales, and how will future market rates be determined?

Ownership and leases will be a combination of co-work responsibility and discounted market rate property value to determine ownership sale price.

We will use **tenancy in common** as our shared ownership model. The property offers several retail spaces. The collaborative plans to renovate and use one of the spaces (1700sqf) currently used as restaurant, as a production plant for BUSINESS a (1100sqf) and 2 commercial offices (300sqf each), one for BUSINESS B and other one for BUSINESS C. The rest of the retail spaces will continued to be leased, assuring an annual CAP rate over 5%. Only after 5 years from the closing date, one or more tenants can buy out other members to dissolve the Tenancy in Common in a joint agreement. South Florida's XYZ Law Group will work in the tenancy in common agreement where all the terms and conditions regarding the property purchase and management will be agreed by the collective. **Property management** will be handled by BUSINESS B (rent payments, lease renewals, tenant requests, tax payments, etc). During the next 3 years, the collective will work on the retail space's improvements aiming to increase the CAP rate to 6%. This will add value to the property and will assure a better future market rate. To calculate future property value we will evaluate the **rent growth rates** and the annual forecasts of the **Net Operating Income (NOI)** of the property over the holding period, taking into account its existing lease roll, expected lease renewals and to new leases for vacant space expected to be signed in the future.

Overview of Grantees

<https://miamiopenforbusiness.org/creo-grantees-2022/>
<https://miamiopenforbusiness.org/creo-grantees-2023/>

Small Business



Nonprofit



Combination



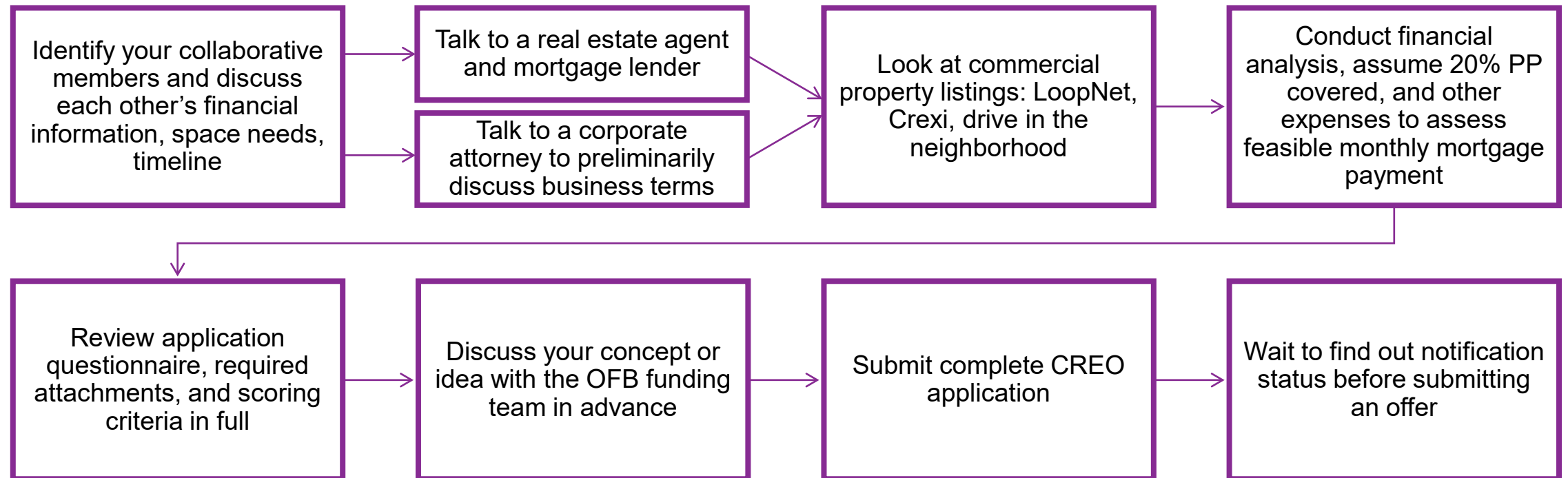
Guest Speaker



Alfredo Moran
Johnny Rojas



How to Start



TA Resources

- Work with a technical assistance organization
 - OFB target communities each have a provider
 - Countywide: Florida State Minority Supplier Development Council (FSMSDC)



- Register for upcoming final 2-day real estate workshop
 - With Community Realty Advisors & Information Group (CRAIG LLC)
 - Late February / early March TBD

Contact Information

- Email: openforbusiness@miamifoundation.org
- Subscribe to our newsletter →

