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The block of South Fourth Street between Muhammad Ali Boulevard and Chestnut Street is one that could benefit from the DDC's loan pool.

DDC loan fund to assist downtown building owners

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Louisville's Downtown Development Corp. is assembling a revolving commercial loan fund to help property owners and developers obtain needed financing.

DDC officials hope the loan pool will help move stalled downtown projects forward and spark additional economic growth in the city's urban core.

In the past year, \$4 million has been raised for the fund from sev-

eral financial institutions with a local presence, according to Alan DeLisle, executive director of the DDC, a nonprofit economic development agency. He declined to identify the investors.

The goal for the fund is \$10 million, he said, but plans call for lending to begin after \$5 million has been pledged. He expects that to happen this fall.

"We've had a lot of discussions with a lot of parties, and we're

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Projections call for fund to finance about 20 projects in five-year period

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close," DeLisle said. "We're almost there."

The idea for a commercial fund grew out of the success the DDC has had managing a similar pool that provides loans to developers for downtown residential projects.



DeLisle

The Downtown Housing Assistance fund, which the DDC has operated since 2000, is a \$6 million program that has helped produce 412 new market-rate housing units during that period, DeLisle said.

Program would focus on smaller projects

The goal of the commercial loan fund is to provide gap financing for projects that already have received their primary funding from other private sources.

The fund would not provide financing for mega-projects, such as Museum Plaza or the expansion of Fourth Street Live, DeLisle said. Instead, it could assist with smaller retail, office, restaurant and hotel developments.

DeLisle said projections call for the loan fund to finance about 20 projects in a five-year period. If \$10 million is raised, he said, the DDC estimates that the projects could create 6,000 permanent local jobs.

"Coming off the recession, with financing being tight, we wanted to be able to move projects forward, especially smaller projects," DeLisle said. "I wish we had this (program) up and running now. There are a lot of possibilities where this could be used. It could be the difference between (a project) happening or not happening."

DDC board has pledged \$500,000

Fund-raising for the loan program has been led by DeLisle and Jim Allen, chairman and CEO of Louisville-based investment and wealth-management firm JJB. Hilliard, W.L. Lyons LLC.

Allen is co-chairman of the DDC's 34-member board of directors.

Five financial institutions have committed to support the program, DeLisle said, and the DDC's board members have chosen to allocate \$500,000 of the group's own funds to the program.

"We felt like we couldn't ask others to invest unless we were investing as well," he said.

DeLisle said four or five other "major financial entities" are considering investments in the commercial loan fund. Several local corporate leaders also are studying the plan, he said.

Important to keep momentum going

Allen said the fund-raising effort is going well, and the DDC's plan is getting a "warm reception" from potential investors, even if they are not in a position to contribute at this time.

He added that he believes there's a realization that it's important to "keep the positive momentum" downtown that started with last year's opening of the KFC Yum! Center.

"I think everybody shares the vision," he said.

Allen noted that Hilliard Lyons is not among the investors in the program be-



PHOTOS BY RON BATH | BUSINESS FIRST
The block between Chestnut Street and Broadway is one that Downtown Development Corp. officials would like to see revitalized with the help of its loan program. Businesses such as the Palace Theatre and Cunningham's restaurant, shown above, have empty storefronts as neighbors, shown at left.

- Loan amounts could be up to \$1 million. They could exceed that amount only with the unanimous support of the loan review committee.

- Interest rates could be fixed or adjustable, based on a credit review and policy score. The rate would not be lower than 3 percent on any loan. The rates will be "market determined," DeLisle said.

- Lenders would receive a return on investment for each loan based on interest charged.

- The maximum length of each loan would be 15 years.

South Fourth Street corridor targeted

Generally, projects eligible for funding would be located in the central business district, DeLisle said. Developments planned in the NuLu neighborhood, near Liberty Green and the area surrounding the University of Louisville's downtown life-sciences campus also would be included.

A target area, DeLisle said, would be South Fourth Street, between Muhammad Ali Boulevard and Broadway.

The DDC has identified that corridor as ripe for retail development.

Gant Hill, a local real estate broker and downtown property owner, said he believes the DDC's loan fund could have a big impact along South Fourth, which is marked by empty storefronts and abandoned properties.

The stretch is anchored at either end by the Seelbach Hilton Hotel and The Brown Hotel, but Hill said many of the properties in between have "no strong character."

Still, Hill maintains that the "raw materials" exist along the corridor to create a dynamic, locally owned retail and entertainment cluster that would complement Fourth Street Live to the north.

"We have a lot that we can work from," he said.

Director has experience with loan programs

The new loan pool isn't the first commercial fund that the DDC has administered.

In the early 2000s, the city of Louisville partnered with the agency on the Fourth Street Forgivable Loan Program, which tried — with limited success — to bring businesses to the corridor.

DeLisle said his knowledge of that program is limited since he has been here only since 2009.

But he has experience running commercial loan funds and is a firm believer in their potential.

Specifically, as an economic development official in Buffalo, N.Y., DeLisle said, he managed a \$45 million program that made 40 loans a year.

"What I like about (such programs) is that it's money that gets paid back and can be recycled and used again," DeLisle explained. "It's not a gift. It's not a grant. It holds the project accountable."

Downtown projects have 'ripple impact'

Chris Poynter, deputy director of communications for Louisville Mayor Greg Fischer, said city officials are hopeful that the DDC's new fund will be used in conjunction with other funding sources, such as the Louisville Metropolitan Business Development Corp., or METCO, loan program.

The METCO program gets "more requests than we (have) money," Poynter said.

The kind of gap financing being proposed by the DDC may have the added benefit of convincing banks to make the initial loans for downtown development projects, he added.

And downtown development projects have a "ripple impact" that is felt outside the city's core, Poynter said, because they employ workers who live and spend money in all parts of the city.

"So we think (the loan program) is a good idea."



Hill

cause it is not allowed for regulatory reasons to use its capital in this type of loan fund.

He said that a number of potential investors are from outside the financial realm, though, adding that "broad-based participation" is critical.

Projects would need to create jobs

Downtown property owners and developers would be eligible for financing through the DDC program.

The loans would provide permanent financing for commercial real estate development and improvements. The funds would not be used for temporary construction financing.

Tenants in buildings owned by someone else would not be eligible to participate.

A limited liability corporation, made up of investors in the fund, would be established to make the loans, according to DeLisle.

DDC staff would manage the fund. Its duties would include providing due diligence of applicants, doing credit work-ups, processing applications, handling loan closings and servicing the loans.

Loans would have to be approved by a review committee, made up of investors, and the DDC's finance and audit committee. DDC staff also would rank projects based on their potential for economic development and job creation.

"The more jobs created, the better," DeLisle said.

Loans would have low interest rate

Terms of the loans administered through the fund would vary, depending on the project. In general, the rules would be: