

# Building a Community Investment Fund

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## Goal

Build an investment vehicle that promotes investment, impact, and wealth building for under-represented communities. Capitalize the fund by using impact-investing funds to attract and leverage institutional investment. Develop mechanisms to align place-based investing with community-specific social impacts.

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## Partners

Alabama Power Foundation, Opportunity Alabama (OPAL), Business Council of Alabama, Alabama Small Business Development Center, Urban Institute

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## Project Summary

The OPAL Opportunity Fund is a nationally unique investment vehicle designed to earn market returns for investors while simultaneously promoting impact and building wealth for under-represented communities. It will raise and deploy \$25-30 million into quality commercial real estate (CRE) investment opportunities producing strong deal-level returns and an impact focus on:

- Growing wealth for Black and Brown communities
- Build capacity within MWBE
- Improving project programming

The fund will leverage infrastructure to create wealth for Black and Brown communities through:

- Fund-Level Investment: Reserving a significant percentage of the fund for Black investors (by participating as LPs in the fund), and actively first-time Black LPs.
- Deal-Level Investment: Investing only in CRE projects where the sponsor teams agree to high MWBE development, construction, and management spending targets. To ensure that the MWBEs receiving investment have capacity to execute on job sites, we will partner with Alabama-based general contractors on a supplier training

program and leverage Class B infrastructure to provide lines of credit.

- Building Better Programming: Every OPAL Fund deal will take an Impact Assessment, and, where possible, will modify programming.

## Community Impact

OPAL has either created or is in the process of creating a series of mechanisms—many of which are novel national concepts—designed to facilitate and measure impact of its investments.

- **Technical Assistance:** OPAL will ensure that any tenant / business receiving Class B investment gets comprehensive access to our training and support infrastructure.

This support follows two pathways:

- » **Technical Proficiency:** We will work with major Alabama general contracting firms, strong local minority contractors, and specialty trades programs (see CASE STUDY: Braiding Education, Workforce, and Community Revitalization) to provide mentorship, incubation and training opportunities to develop job-site skills.
  - » **Business Planning, Accounting & Technical Support:** We will provide books and records, business planning, accounting, HR / compliance, COVID-relief, and other back-office technical assistance through partnerships with statewide groups like the Alabama Power Foundation and the Alabama Small Business Development Center (and local groups like HSV Catalyst Center or the BHM Business Resource Center). This helps ensure MWBEs grow and helps preserve investor capital.
- **Investment Tracing:** Using the Black Business Census (see CASE STUDY: Alabama Black-Owned Business Census) above and a toolkit OPAL will develop, OPAL will trace every dollar invested into CRE to end users (subcontractors, subs of subcontractors, management service companies, professionals like lawyers / accountants, etc.) to see how many are MWBEs. We will allocate capital across our projects to ensure that we create new revenue for these businesses.
  - **Impact Assessment:** OPAL is working with the Urban Institute to implement a project impact scoring system that ranks a project across six categories— Job Impacts, Building Community Wealth, Providing Accessible Housing, Environmental Impacts, Health Impacts, and Connectivity / Transportation Impacts. OPAL ranks projects against expressed community priorities across all six categories, then builds an impact scorecard based on how well the project does at delivering the most desired outcomes for a given community.
  - **Impact Improvement / Programming / Leasing:** Once a project has its Impact Scorecard, OPAL works one-on-one with the project to identify ways it can scale its impact. This typically involves changes to tenant mix or side programming that

- Community Impact (cont.)** will have only minor changes to the project's bottom line (preserving investor returns), but will substantially benefit the community. Examples include:
- » Off Campus Student Housing: Making 3-5 units available, at no cost, to Birmingham City Schools students attending UAB as part of Birmingham Promise program or creating a student internship experience for Black and Brown UAB students who want to experience development and management cycles.
  - » Mixed Use Development: Providing access to telemedicine / telehealth services for building residents (typically \$10/unit/year), or reserve space on the ground floor for MWBE tenants from our Black Business Census or a childcare facility (if needed in the area), which OPAL helps owners identify.
  - » Shift Capital Playbook: OPAL is working on a comprehensive impact improvement playbook with Shift Capital, one of the most recognized impact-oriented CRE development firms in the United States and will leverage it to create unique impact improvement plans for each project.
- Impact Covenants: To ensure that projects abide by the impact improvement plans they adopt, OPAL will negotiate covenants in its investment documents requiring sponsor teams to implement certain aspects of impact improvement plans (e.g., space reserved for MWBEs or contracting with MWBEs) or face economic consequences.
  - Public Support: Before it closes on a project, OPAL will confirm local buy-in through obtaining at least one letter of support from a local nonprofit or local government demonstrating that they want the project and believe in its ability to transform the community.
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### **Backbone Organization**

Opportunity Alabama (OPAL) is a nonprofit organization that serves as the equitable economic development engine for Alabama's low-income places. Since its formation in 2018, OPAL has become the one-stop shop for communities, project sponsors, investors, and others looking to find out how the Opportunity Zone (OZ) program can help move the needle in their backyard. To date, OPAL has made introductions or delivered technical assistance resulting in \$125 million in new community development, provided thousands of hours of technical assistance to communities and project sponsors, and received recognition from Forbes as the best statewide OZ economic development program in the nation.

**Backbone Organization  
(cont.)**

In 2020, OPAL formed a for-profit subsidiary—OPAL Advisory—to better connect local capital to its existing deal pipeline. To better serve the diligent needs of its prospective clients, OPAL Advisory partnered with Blueprint Local (BPL), a nationally recognized Opportunity Fund administration platform. While the Blueprint Local team has extensive real estate and impact investment experience, they have launched multiple QOZ funds supported by a joint venture with Brown Advisory— BPL’s operational and implementation partner.

**Investment Structure**

The OPAL Opportunity Fund has two tranches—a market-rate Class A tranche (that can offer OZ benefit to investors on behalf of those with capital gains), and a CRA- qualified, PRI-oriented Class B tranche (designed to facilitate the small business support programming).

- **Class A (return driver):** Targets at least 20% of fund raising from Black and Brown investors to create localized wealth. Proceeds will be used to invest in strong return potential real estate opportunities across Alabama—but only where project sponsors agree to engage Black and Brown small businesses from our Census and to execute an Impact Improvement Plan.
- **Class B (impact driver):** Additional 10% carried interest in the Fund, providing anticipated 1.0-5x equity multiple and 2-5% IRR on a 10-year hold. Class B equity will allow OPAL to (1) undertake higher impact CRE deals and (2) provide low-interest loans to MWBE contractors and credit support to MWBE Class A tenants.
- **Project-Specific Special Purpose Vehicles (SPVs):** Will provide investors who are in both Class A and Class B with access to co-investment opportunities in Class A projects through no-fee special purpose investment vehicles created for each Class A deal. This allows investors to get access to 2.5x-3x deal-level returns, significantly boosting overall IRR without any additional fees.