



## **REQUEST FOR PROPOSAL**

### **\$25M Place-Based Opportunity Zone Investment Initiative**

**Due Date: September 1, 2020 by 5:00 p.m. (ET)**

Issued By:

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1330 Boylston Street, STE 600  
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## OVERVIEW

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Arctaris Impact Investors is pleased to announce the Arctaris Place-Based Opportunity Zone Investment Initiative, which seeks proposals from cities, counties, states, community foundations, tribal nations, and territories throughout the United States. The initiative, designed to provide Opportunity Zone investment capital and improve quality of life for all Americans, will award each recipient \$25 million or more of Opportunity Zone capital in combination with localized match dollars from government, philanthropic, or business partners. Arctaris Impact Investors will select applications through a competitive Request-for-Proposal (RFP) process. Information on how to apply can be found below.

## SECTION I - GENERAL INFORMATION

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### A. OBJECTIVE

Arctaris Impact Investors (“Arctaris”) invites U.S. cities, counties, states, community foundations, tribal nations, and territories to participate in a competitive RFP process where up to 10 communities will be awarded place-based Opportunity Zone investment programs. Each program will target \$25 million or more in total investment, with 80% contributed by Arctaris and a 20% match from the local government or foundation partner. Proposals should identify actual or representative projects in each applicant communities including, but not limited to:

- Growth capital for manufacturing, business services, telecom and other operating businesses that create living-wage jobs
- Broadband fiber infrastructure and other telecom assets that help to bridge the “digital divide”
- Solar and renewable energy infrastructure
- Industrial parks and other work spaces
- Housing: Affordable, workforce, naturally occurring affordable housing (NOAH)
- Community-centric real estate, such as transit-oriented development, main street revitalization, and livable neighborhoods
- Academic buildings, including student housing, and early childhood development centers.
- Grocery stores in food deserts
- Other opportunities that may be important to your community
- Note: Arctaris generally does not invest in early stage businesses, bankruptcy/turnarounds, luxury housing, hotels, or oil & gas enterprises.

Local government, private industry, or foundation partners will be expected to contribute a minimum 20% of the total program funding via subordinated loans, subordinated equity, grants or guarantees. Arctaris strives to create the structural alignment between private and public stakeholders while benefitting communities throughout the United States and has previously employed this 80/20 matching ratio in its previous funds.

Arctaris will prioritize the proposals on the criteria as outlined in Section III. Top ranking applicants will be notified and Arctaris will engage directly through a series of collaborative meetings and interviews with the purpose of refining the applicant's investment program objectives, types of projects available in the community, and structure of the 20% community match.

#### B. QUESTIONS AND CLARIFICATIONS / DESIGNATED ARCTARIS CONTACTS

All questions regarding this Request for Proposal (RFP) shall be submitted via e-mail.

Questions will be accepted and answered in accordance with the terms and conditions of this RFP. All questions should include the subject line **Arctaris OZ Fund Initiative** and be e-mailed to [OZ@arctaris.com](mailto:OZ@arctaris.com).

All interpretations, corrections, or additions to this RFP will be made only as an official addendum that will be emailed to all applicants and posted to <https://arctaris.com/> and it shall be the applicant's responsibility to ensure receipt of any addenda before submitting a proposal.

#### C. PRE-PROPOSAL MEETING

A pre-proposal meeting was held online on Thursday, June 25<sup>th</sup>, 2020 at 1:00 p.m. EDT via a Zoom Conference Call available for replay at the following link:

<https://youtu.be/U2vJ8KFtuml>

Meeting participants included Arctaris, the Kresge Foundation, Economic Innovation Group, former Philadelphia Mayor and current Arctaris Board Member Michael A. Nutter, and the co-author of the Opportunity Zone framework and current Arctaris Board Member Steven Glickman. The purpose of this meeting was to discuss program specifics, discuss potential projects and answer questions on the RFP process.

#### D. PROPOSAL FORMAT

To be considered, each applicant must submit a response to this RFP using the format provided in Section III. Proposals should be prepared simply and economically providing a straightforward, concise description of the applicant's ability to meet the requirements of the RFP. Where applicable, the applicant is encouraged to provide data and/or metrics. There will be opportunities to discuss project proposals in greater detail after the RFP.

#### E. ELIGIBILITY

This RFP is open exclusively to U.S. cities, counties, states, community foundations, tribal nations, and territories that work to expand opportunities for low-income people in America's cities and have a financing need that is aligned with one or more of Arctaris' program focus areas as defined in Section III. Other interested non-profit organizations and foundations are welcome to apply for the RFP process and/or apply jointly with eligible government applicants.

#### F. SELECTION CRITERIA & PROCESS

Responses to this RFP will be evaluated using the criteria shown in Section III. A selection committee comprised of staff, advisory board, and other strategic partners from Arctaris will perform the evaluation, nominate shortlist candidates, engage with each participating community toward program refinement, and then announce the results.

Arctaris will complete an initial evaluation based on the completeness of the application, the viability of potential investment areas highlighted in the application, community impact goals, and available matching capital. Following this initial evaluation, Arctaris will determine which, if any, applicants will be interviewed. During the interviews, the selected applicants will be given the opportunity to discuss their proposal, potential focus areas, past experience with public-private partnerships, and their matching capital sources in more detail. Arctaris further reserves the right to interview the key personnel assigned by the selected applicant to this project. Interviews will begin as proposals are received and will be completed on a rolling basis into 2021.

All proposals submitted may be subject to clarifications and further negotiation. All agreements resulting from negotiations that differ from what is represented within the RFP or in the proposal response shall be documented and included as part of the final agreement.

There can be no assurances that all agreements or any agreements will be established, or that any agreements which are established will be consistent with the outline of this RFP.

Further, Arctaris may utilize a range of objective and subjective criteria in its evaluation process, and this criteria may adapt over time to changes in market conditions, availability of qualified Opportunity Zone capital for such programs, and U.S. tax regulations.

#### G. DIGITAL PROPOSAL SUBMISSION

**All proposals are due and must be submitted to Arctaris at [OZ@arctaris.com](mailto:OZ@arctaris.com) on or before September 1, 2020, 5:00 p.m. EDT.**

Each respondent must submit:

- One (1) digital PDF copy of the proposal no longer than 10 pages and any additional attachments;
- Proposals submitted must be clearly marked: “[Entity Name] - RFP Response Arctaris Opportunity Zone Initiative”;
- No immediate decisions will be rendered, and awards can be made on a rolling basis;
- Additional time is not expected to be offered, but Arctaris reserves the right to consider special circumstances and extend the deadline in certain instances.

A proposal may be disqualified if it is submitted after the due date and time, does not include the application information outlined in Section III, or is otherwise incomplete.

#### H. SCHEDULE

The proposals submitted should define an appropriate schedule in accordance with the requirements of Section III. The following is the schedule for this RFP process.

<b>Activity/Event</b>	<b>Anticipated Date</b>
Survey Released	June 2, 2020
Pre-Proposal Meeting	June 25, 2020
RFP Distributed	June 30, 2020
RFP Submission Begins	July 1, 2020
Tentative Interviews (if needed)	July 15, 2020
Selection/Negotiations (rolling schedule)	August 1, 2020 (as early as)
Proposal Due Date	September 1, 2020, 5:00 p.m. EDT
Awards Announced	June 30, 2020 – June 1, 2021

The above schedule is for information purposes only and subject to change at Arctaris’ discretion.

## SECTION II – ARCTARIS BACKGROUND

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### A. BACKGROUND

Founded in 2009, Arctaris Impact Investors is a Boston-based impact investment firm with experience spanning over 11 years and 5 funds. The firm manages the Arctaris Opportunity Zone Fund, the Arctaris Impact Fund, and three earlier Arctaris funds focused on investment in growth-oriented operating businesses and community infrastructure projects located in underserved communities.

Arctaris has partnered with the Kresge Foundation, Harvard Business School Professor Michael Porter’s Initiative for a Competitive Inner City (ICIC), and multiple other foundation, federal and state government agencies to invest in Opportunity Zones, inner cities and targeted rural communities throughout the U.S., with the aim of delivering above-market investment returns alongside positive social impact.

The Arctaris Opportunity Zone Fund was launched in 2019 with the intent to invest across the 8,700+ Opportunity Zones in all 50 states and U.S. territories. Along with Arctaris’ strong track record in low-income communities, Arctaris utilizes the Opportunity Zone tax incentive to serve the economic development needs of communities that need it most. Arctaris replicates the investment model of previous funds across the Arctaris Impact Investors family, utilizing first-loss guarantees and other forms of principal protection via grants and investments from leading philanthropic, government, and community partners to leverage private capital investment.

This structure provides first-loss capital protection and impact alignment across multiple levels of the OZ fund from sources including foundations (such as the Kresge Foundation and other community foundations) and government agencies (such as the Finance Authority of Maine or Cuyahoga County).

### B. INVESTMENT FOCUS

The Fund seeks to generate returns for its investors through investments in “qualified opportunity zone business(es)” (as defined in the Code (“**QOZB’s**”)), including investments in private equity operating companies, renewable energy projects, broadband/telecommunications infrastructure, and also “qualified opportunity zone projects” that will purchase, develop, own, and operate real property in conjunction with real estate developers.

The Fund's investments and services promote economic development:

- In targeted low- to moderate-income communities by supporting permanent job creation, retention and/or improvement of income and social mobility for low- or moderate-income persons;
- In qualifying census tracts where residents, businesses and government agencies have faced significant economic challenges due to the COVID-19 pandemic;
- In areas generally designated for economic development by Federal, state, local or tribal governments; and
- Through technical assistance or supportive services for small businesses or farms, such as inner-city entrepreneur education programs through the Fund's partnership with Harvard Business School's Initiative for a Competitive Inner City (ICIC).

Arctaris seeks to build a diversified OZ portfolio, investing in:

- **Private Equity/Operating Businesses:** including growth capital with an eye towards job creation across manufacturers, solar developers, and telecom businesses.
- **Real Estate/Infrastructure:** including historic preservations, ground-up development, industrial buildings, broadband fiber infrastructure, solar farms, academic/municipal buildings, and housing.

Arctaris also utilizes an independent advisory board to oversee impact and reporting standards, with a goal of transparency and measurement, including:

- Majority of portfolio investments will create net positive living wage jobs; and
- Multifamily housing investments that will not displace families.

For more background on Opportunity Zones, please see the following resources:

- Opportunity Zones – Overview <https://eig.org/opportunityzones/history>
- Opportunity Zones – Map <https://www.cohnreznick.com/nmtc-map>



## SECTION III - PROPOSAL INFORMATION AND EVALUATION

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Applicants should organize Proposals into the following Sections:

- A. Organizational Information
- B. Regional OZ Overview and Priority Focus Areas
- C. Investable Project Areas & Past Involvement with Similar Projects
- D. Community Impact Goals
- E. Program Size and Matching Capital Sources
- F. Attachments

The following describes the elements that should be included in each of the proposal sections and the weighted point system that will be used for evaluation of the proposals. Please limit responses to these questions to 10 pages, though additional information such as memoranda on specific projects, images or spreadsheets may be included as Exhibits. Applicants should provide only non-confidential content in the general proposals; however, applicants may provide confidential information with Arctaris, as may become necessary, by executing a Confidentiality Agreement. If sharing confidential information would be useful toward provided in these proposals will not be deemed Information provided in the proposals should

### A. ORGANIZATIONAL INFORMATION

Provide the full name and address of your organization and, if applicable, the branch office or other subsidiary element that will perform, or assist in performing, the work hereunder. Indicate whether the organization operates as a municipality, state, tribal, or local government; foundation; non-profit entity; for-profit entity; or other. Applicants are welcome to form groups, for instance, a consortium of counties or a partnership between city government and local foundations.

Include and list the names and titles of key personnel that will be involved in the RFP process.

### B. REGIONAL OZ OVERVIEW AND PRIORITY FOCUS AREAS

The written proposal should include a brief overview of the applicable area's economic profile with relevant data, opportunity zone landscape, economic profile, major industries, anchor institutions (e.g., universities, large employers, strategic infrastructure), and other information relevant to the submission. Include any notable developments, current strategic plans, or other documentation as attachments. This section should answer the question: *What makes my community a compelling opportunity to investors?*

#### C. INVESTABLE PROJECT AREAS & PAST INVOLVEMENT WITH SIMILAR PROJECTS

The proposal should also include an overview of prioritized investment focus areas within the Opportunity Zone(s) and, where applicable, information regarding already identified projects. In addition to specific projects, this overview can include representative investments, highlights of desired industries for increased investment (e.g., manufacturing), desired infrastructure improvements (e.g., broadband, affordable housing), or major municipal-scale needs (e.g. water/transportation public works, school district/university projects, early childhood development or community buildings).

Additionally, the applicant should include any past experience working with similar public/private investment partnerships. This includes but is not limited to: federal investment programs (e.g., CDBG, HUD, NMTC), local incentives (e.g., tax incremental financing), enterprise zones, or other partnerships (e.g., CDFI's, Community Reinvestment Act banks). This section should answer the question: *What are my community's most important projects that could benefit from Opportunity Zone funding?*

#### D. COMMUNITY IMPACT GOALS

The submission should also include a clear and concise overview of the desired impact outcomes that investment in the identified opportunity zones could provide. This may include a community needs assessment, identifying the strengths and resources available in the community to meet its needs and its current capabilities, including its citizens, agencies, and organizations.

Applicants are strongly encouraged to also submit a Community Impact Assessment, whether in the application or as an attachment. The impact assessment should aggregate key data points about the community (demographics, economy, environment, equity, health, mobility, etc.) and present a profile of how these may be improved. This section should answer the question: *What are my goals for this partnership over 10+ years, and what key performance indicators (e.g. quality jobs, housing, broadband connections) will measure our success?*

#### E. PROGRAM SIZE AND MATCHING CAPITAL SOURCES

This section should include an estimate on how much capital the applicable geography could utilize should Arctaris launch an investment program there. This can be broadly categorized as:

- **\$10M-\$15M**
- **\$16M-\$24M**
- **\$25M+**

Additionally, applicants are required to include a written response outlining potential sources of local match capital. This initiative requires a minimum 20% first-loss capital match from government or foundation partners, which may come from various sources including (but not limited to):

- Local – Direct appropriation of city/county/state funds via grants, subordinated loans, subordinated equity, or guarantees;
- Federal – Utilizing federal funds such as the State Small Business Credit Initiative (SSBCI), Community Development Block Grant (CDBG) loan guarantees, Economic Development Administration (EDA) funds, HUD Section 108 loans;
- Philanthropy – Grants, program-related investments, or guarantees from foundations or other philanthropic institutions;
- Long-Term Lease / Purchase Agreement – A government or other anchor institution (e.g. foundations and corporations) may commit to enter into a long-term lease on the underlying asset and/or purchase the asset after 10 years;
- Other various sources of loan, equity, grant, or guaranty capital from local business.

While the 20% first-loss capital match is a requirement, many communities have also expressed that local investors are interested in participating in the 80% (Arctaris) portion of the program. For instance, communities have indicated that local insurance companies, commercial banks (CRA), corporations or other accredited investors would like to invest in the Arctaris Opportunity Zone Fund and earn the OZ benefits, subject to the eligibility requirements of the Fund. Applicants are encouraged to include detail on such private sources of Opportunity Zone capital. The Private Placement Memorandum is available upon request.

Please note, while specificity is encouraged in this section, it is not required. Arctaris has worked with many of its regional partners in the past to assist in sourcing and structuring first-loss capital solutions outside traditional government appropriations.

This section should answer the following questions: *What are the anticipated sources of the (20%) first-loss capital match, and what is the anticipated form of that capital? Also, please provide detail (if applicable) if local banks or other accredited investors are interested in participating in the Arctaris (80%) portion of the program.*

## F. ATTACHMENTS

The submission can also include relevant attachments, including any existing opportunity zone plans, existing community or economic development plans, or other additional information the submitting organization deems relevant.

**Please note, any attachments are not included in the 10-page application limit, nor subject to any size restrictions. However, applicants are strongly encouraged to compress files, distill information down to key points, and attempt to minimize application file size.**

## PROPOSAL EVALUATION

1. The selection committee will evaluate each proposal based on the criteria above to identify a shortlist of applicants for further consideration. Arctaris reserves the right to reject any proposal that it determines to be deficient in any of the information requested for evaluation. A proposal with all the requested information does not guarantee the proposing firm to be a candidate for an interview.
2. The committee will schedule follow-up interviews with selected applicants, who will be given the opportunity to discuss in more detail their region, past experience, proposed focus areas, and matching capital proposal.
3. Following the interviews, applicants will then be re-evaluated based on the same criteria as the written applications and adjustments will be made as appropriate. After evaluation of the proposals, final selected applicants will be invited to the due diligence phase.
4. Applicants selected to advance to the due diligence phase will be involved in multiple meetings to distill program focus areas, conduct due diligence, and other negotiations.
5. Following the due diligence phase, selected applicants may be further pursued leading to the award of an investment commitment from the fund.

## PREPARATION OF PROPOSALS

All proposals should be submitted electronically to [OZ@arctaris.com](mailto:OZ@arctaris.com) as outlined in Section I (G): Digital Proposal Submission.

## ADDENDA

If it becomes necessary to revise any part of the RFP, notice of the addendum will be made available to all applicants. Each applicant must acknowledge in its proposal all addenda it has received. The failure of an applicant to receive or acknowledge receipt of any addenda shall not relieve the applicant of the responsibility for complying with the terms thereof.