

CASE STUDY

422 UNIVERSITY AVE W

LOCATION: **SAINT PAUL, MN**

TOTAL PROJECT COST: **\$20-25 MM**

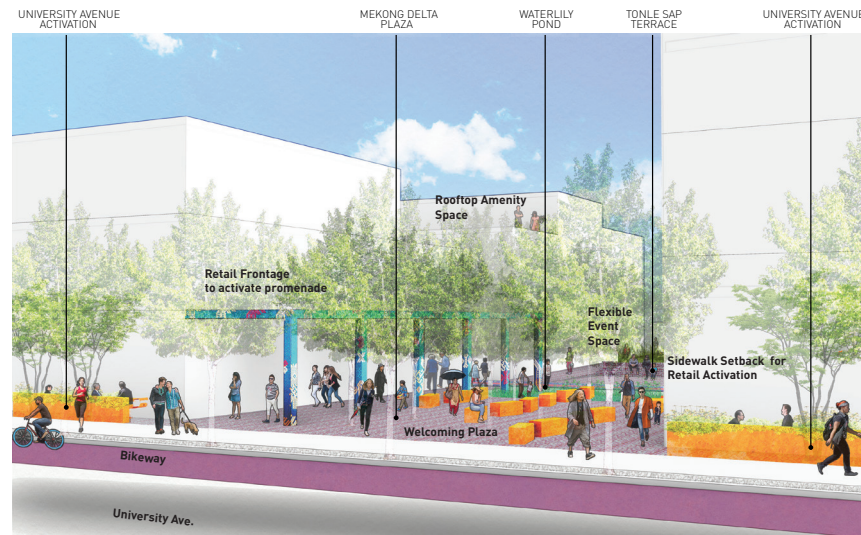
PROJECT STATUS: **ASSEMBLING FINANCING FOR THE ACQUISITION OF LAND AND EXISTING BUILDING**

PROJECT HIGHLIGHTS:

- **3 BUILDINGS TOTALING 73,300 SF**
- **39,600 SF RESIDENTIAL**
- **13,700 SF RETAIL**
- **9,000 SF HEALTH CLINIC**
- **13,300 SF COMMERCIAL/ OFFICE**
- **6,000 SF GALLERY/STUDIO + TRADE EDUCATION WORKSHOP**

TOTAL ACQUISITION: **\$4.3 MM**

PROJECT DEVELOPER: **ASIAN ECONOMIC DEVELOPMENT ASSOCIATION**



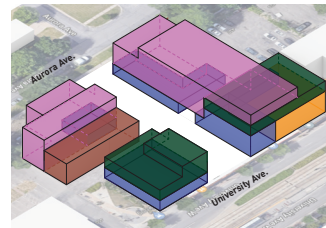
PROJECT OVERVIEW

Little Mekong, a district with one of the highest concentrations of people under the federal poverty line in Minnesota, is being encroached on by outside investment and redevelopment. The area is ethnically diverse, including the African American residents and business that predated the arrival of the Southeast Asian residents. According to a 2014 study, there are over 100 small businesses in Little Mekong — about 76% of which are Asian-owned — serving local community members and the region’s broader Southeast Asian population.

Asian Economic Development Association (AEDA) has increasingly recognized the importance of real estate acquisition in Little Mekong as a strategy for staving off gentrification. Since the completion of the Western Avenue light rail station in 2014, the area has seen increased development, investment, and speculation. The COVID-19 pandemic exacerbated displacement pressures as many small businesses were unable to afford to stay in Little Mekong.

Va- Megn Thoj, AEDA’s Executive Director, shared his concerns, “If we don’t have control of our neighborhood, that encroachment will expand. In five to ten years, Little Mekong may no longer exist.”

AEDA seeks to respond to the need to preserve the community-serving spaces by acquiring the building they currently rent and transforming it into a mixed-use development with affordable spaces for local small businesses and residents. This project would increase economic opportunities in Little Mekong to build generational wealth.



AEDA entered into a purchase agreement in July 2023 and has a goal of completing the acquisition by 2023. However, negotiating a final sale price for the site has been challenging. The landlord is asking \$4.3MM despite it being a lower fair market value. Additionally, raising the needed capital for acquisition has been a challenge due to the less than favorable post-pandemic nonprofit lending in the Twin Cities. Once the building is acquired, AEDA plans to upgrade some of the facilities and operate the existing building until they can fundraise an additional \$15MM-\$20MM to redevelop the building in phases. They hope to raise the capital within 5 years.

NEED

As an emerging developer and a smaller organization, it is challenging for AEDA to raise capital for everything from acquisition to redevelopment. Little to no capital is dedicated to AAPI communities for real estate development. AEDA secured two loans, one from a CDFI and one from a nonprofit lender. This was possible because AEDA built and maintained a relationship with the local CDFI for over 10 years. The local CDFI grew to understand the community's needs and trust in AEDA; thus, they are willing to invest in AEDA. However, there are not many local or national CDFIs that understand communities like Little Mekong. AEDA anticipates the capital campaign for redevelopment will be just as challenging. As a CDFI dedicated to serving AAPIs, National CAPACD's CDFI, Our Neighborhoods Capital Fund, will have products and programs to assist organizations like AEDA with acquisition

and redevelopment. The Our Neighborhoods Capital Fund understands the communities served by National CAPACD's members, and the challenges faced in undertaking projects like these.

In addition to capital, emerging developers like AEDA need capacity-building and technical assistance. For example, AEDA needs to develop internal capacity to do site management and real estate development-specific financing and asset management. National CAPACD will work hand in hand with the Our Neighborhoods Capital Fund CDFI to provide capacity-building support and technical assistance. Through this partnership between the two organizations, there will be peer learning opportunities for developers in National CAPACD's network to learn from each other, and a database of vetted TA/experts/consultants that understand community-based models.

ABOUT ASIAN ECONOMIC DEVELOPMENT ASSOCIATION (AEDA)

In 2006, the Asian Economic Development Association (AEDA) was founded by Asian small business owners, community leaders, and activists to advocate for equity in light rail transit planning and construction, specifically ensuring public transit would benefit and not harm the most ethnically and racially diverse neighborhoods in the Twin Cities. AEDA and over 30 community partners successfully advocated for developing three neighborhood light rail stations, ensuring \$1 billion in public investments in transit-oriented development went into communities that have been overlooked, and

a \$4 million small business mitigation fund to ease the impacts of project construction.

AEDA has a long track record of offering in-language, culturally appropriate programs including small business technical assistance, financial education, and a widely attended night market. AEDA believes affordable and accessible commercial real estate is a vital part of supporting Little Mekong as a vibrant, diverse neighborhood, and is now engaged in community commercial real estate development.

INVESTING IN OUR NEIGHBORHOODS

*Our neighborhood means **home** and we don't want to be displaced from our home... We know how valuable a home is and to have a sense of belonging.*

- Va- Megn Thoj, Executive Director of Asian Economic Development Association (AEDA)

