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Fund manager that invested in Pizitz targets four more Birmingham projects

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A real estate fund that invests in development projects in economically distressed, predominantly minority communities in the South is targeting at least four new projects in Birmingham.

Those could be for housing with some potential for mixed-use and may comprise a mix of historic renovation and new construction, [Deborah La Franchi](#), founder and CEO of SDS Capital Group in Los Angeles, told the Birmingham Business Journal.

“We’re definitely trying to deal with the housing shortage for low-income and workforce housing that many communities throughout the South have — and across the country, frankly,” La Franchi said. “That is an area that we really focus on as well.”

These potential projects are among others in the Southeast that SDS Capital Group and its partner, Vintage Realty Co. in



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The Pizitz is one of the buildings that has benefited from SDS Capital Group's impact funds.

Shreveport, Louisiana, are targeting with a new \$28 million impact fund.

It's the second time these two firms have teamed up to come alongside developers with their American South Fund Management LLC, which focuses on investing in transformative projects in Alabama as well as Arkansas, the Carolinas, Florida, Georgia, Louisiana, Mississippi, Tennessee and Texas.

The fund, which recently closed on July 12 with an initial \$28 million, will finance multifamily, industrial, office, educational and medical projects that are geared toward revitalizing low-income communities, creating jobs, developing low-income or workforce housing and providing health care, education and other services. La Franchi said the team plans to make its first investment within 10 days.

The first close includes Bank of the Ozarks, [Cadence Bank](#) and Texas Capital Bank.

"We are proud to invest our capital toward revitalizing emerging, diverse communities in the South," said [Eric Gustafson](#), investment relationship manager at Bank of the Ozarks, in a release.

Ranging from \$7.5 million to \$20 million for each project, the fund provides equity and preferred equity to third-party real estate developers for the critical 35% of their projects that debt doesn't cover. They target emerging urban or secondary markets that show strong potential for redevelopment and growth.

Their first fund, American South Real Estate Fund I, which had an initial close in 2016, helped finance 15 projects in communities that were on average 80% minority or 51% Black.

"The average poverty rate of the communities we've invested in is pretty staggering — 36% poverty rate," La Franchi said.

Two of those projects include \$3.4 million for the [Kelly Hotel in downtown Birmingham](#) and another \$3.4 million for the [St. James Hotel in Selma](#) — both by Rhaglan Hospitality.

"Alabama is a state where we've been active, and we expect to continue that going forward," La Franchi said.

She said the first fund proved that the team can invest in underserved communities while achieving its impact goals and providing financial returns for investors at the same time.

“We are grateful to our investors for supporting our efforts to ‘make a difference’ in emerging, diverse communities,” La Franchi said.

Angela Hudson, director of community responsibility at Bank of the Ozarks, said in a release that the investors see how these communities in the South are being impacted by the projects.

“The capital infusions are contributing significantly to economic growth and quality of life, creating brighter futures for these communities,” Hudson said in the release. “Well beyond providing investors with financial benefits, these investments give a deep sense of satisfaction in knowing that fund capital will bring about change and revitalize communities in need.”

David Alexander, CEO at Vintage Realty and the joint managing partner of the fund, said the team is not content to be satisfied with the accomplishments of the first fund.

“We are determined to have ASREF II surpass the high impact benchmarks achieved with ASREF I,” he said in the release. “Our capital can be transformative to the communities we are investing in and we’re now looking to further escalate previous efforts with ASREF II.”

SDS Capital Group previously provided about \$24 million of its new market tax credits allocation to the redevelopment of The Pizitz.

“I think to date it’s still our single biggest investment from our new market tax credits fund,” La Franchi said.

La Franchi said they try to identify catalytic projects that will attract even more capital investment.

“The Pizitz really worked exactly as we all hoped it would in terms of driving more investment to that part of the community as well,” she said. “We look forward to more investments in Birmingham. We believe that’s a really great market for us to have impact and to work with really quality developers.”

In addition to the American South fund, the woman-owned fund manager SDS Capital Group operates five different impact funds across the U.S. with more than \$1 billion of assets under management. According to a 2017 report by BELLA Research Group, \$3 out of every \$1,000 invested in real estate funds is invested with a woman-owned manager.

Hanno van der Bijl

Real Estate Reporter

Birmingham Business Journal