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Lynch Development Group

A FRAMEWORK FOR PHILANTHROPIC CAPITAL DEPLOYMENT · NOVEMBER 16, 2026

Bridging the Gap: *A Philanthropically-Backed Retail Subsidy Fund for Mixed-Use Community Development*

A structured, two-tranche vehicle that makes neighborhood-serving ground-floor retail financially viable for local operators — and recoverable for mission-aligned philanthropic investors — in Metro Atlanta and across the Southeast.

EXCEPTIONAL · CONNECTED · FORWARD

4.3%
Atlanta retail vacancy rate · Q4 2025
Well below 5.3% historical norm

75%
New supply pre-leased to national chains before delivery — locals shut out

$117+
Per SF tenant improvement cost in the Southeast — far beyond local operator reach

20%
Small business first-year failure rate — capital access is the primary driver

> *"The zoning code says ground-floor retail must exist. The market says it cannot survive without support. This fund is the bridge between those two realities — and the enabling mechanism that makes city policy actually work as intended."*

THE STRUCTURAL PROBLEM

Mixed-use zoning mandates require active ground-floor retail across Atlanta's most active development corridors — including the entire BeltLine Overlay District. Yet no financial mechanism exists to make that retail viable for the local operators communities actually want. Developers face an insoluble equation: **$117–$250+/SF** in tenant improvements that operators cannot fund, and **~$23.63/SF NNN** in market rents that new businesses cannot sustain in their first one to three years. The result is code-compliant but hollow retail shells that sit dark — a negative amenity that suppresses residential leasing, drains NOI, and signals disinvestment to the very neighborhoods being revitalized.

THE MARKET OPPORTUNITY

- **Atlanta retail rents hit a record $23.63/SF NNN** in Q4 2025 — up 4.2% YOY, more than double the national average of 1.8%
- **Community center leasing fell 36.1%** in 2025 — the format most aligned with locally owned operators. Demand exists; access does not
- **Atlanta ranked #1 city for startups in 2024** — largest concentration of Black entrepreneurs in the U.S. — entrepreneurial demand is real
- **91% of Atlanta retail inventory built pre-2011** — Class A availability at 2.4%, leaving new mixed-use projects as the only accessible entry point
- **The fund-as-guarantor effect:** when the fund underwrites both the operator and the TI, construction and permanent lenders can finally underwrite a 10-year lease to a start-up — a structural breakthrough no other tool provides

Continued on page 2 — Fund Structure, Investor Returns & Contact

FUND STRUCTURE & INVESTMENT THESIS

How It Works — and Why the Economics Hold

TRANCHE ONE · BUILD-OUT CAPITAL FUND

Deployment per tenant	$24,000 (Fund $23,280)
Recovery mechanism	40% GP to the Fund · to 1.15x / 5.5% IRR ceiling
Capital split	Fund 97% · Developer 3% (co-invest only)
Developer return	Leasing · tenant mix · DSCR relief
Developer clawback	At building sale / refi
Operator equity minimum	10% of startup costs or $15K
IRR target	~5.5% over 10 years
NPV (base model)	~$0 at ceiling (5.5% IRR)

TRANCHE TWO · REVOLVING WORKING CAPITAL FACILITY

Facility seed per tenant	$30,000
Opening rent discount	15% below market NNN
Step-down to market rate	Annual · ~1% by Year 10
Investment return on balance	3% annually (undeployed)
Recycle	10% of Fund's GP share annually
Net philanthropic cost (base)	~$22.2K of $30K deployed
Graduation target	≥70% at market rate · Year 11

INVESTOR RETURN PROFILE

METRIC	VALUE
Tranche One IRR target	~5.5%
3-month T-bill (Nov 12, 2026)	4.32%
Spread above T-bill	+118 bps
Combined commitment / tenant	$54,000
Pilot fund target	$650–750K · 10–12 tenants
Grant reserve (strategic cases)	10–15% of fund corpus
Capital structure	PRI · Recoverable & Recyclable

SUGGESTED KPIS TO TRACK

Jobs Created
≥2 FTE-equivalent local employees per tenant from the same or adjacent zip code by Year 3

Storefront Activation
≥250 active trading days per year from Year 1 — dark days permanently eliminated

Lease Graduation Rate
≥70% of funded tenants renew at full market rate at Year 11 without further fund support

STRUCTURAL SAFEGUARDS BUILT INTO THE MODEL

COMMUNITY VETO
Resident voice holds a binding vote on every project — not advisory status

MANDATORY TA
Every operator assigned a Business Success Coach, funded by a separate grant pool — TA is a condition of subsidy

DEVELOPER CLAWBACK
Success fee recovered at disposition — fund's risk-taking shares in developer's gain

LOSS RESERVE
10–15% of fund corpus held in reserve — capital is priced for risk, not optimism

WHY LDG CONSULTING & LYNCH DEVELOPMENT GROUP

LDG is the implementing developer — not a think tank. With **25+ years** of experience and **$1.5B+** in mixed-use, mixed-income, and workforce housing projects across Atlanta and the Southeast, LDG brings owner's rep expertise, community trust, and a co-development track record to execute this model project by project. **LDG Consulting (LDGC)** serves as the advise-and-execute arm for developer partners who want to adopt the fund model on their own projects. This fund concept was built from LDG's direct, on-the-ground experience with the operators, developers, lenders, and communities it is designed to serve.

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