

# Little Tokyo Community Impact Fund

## Annual Report

### January 1, 2021 – June 30, 2022

## Overview

### History

The Little Tokyo Community Impact Fund, SPC (LTCIF) became a California social purpose corporation on July 30, 2019. The primary social purpose of the Fund, as stated in its Amended and Restated Articles of Incorporation, is to “contribute to community revitalization and cultural preservation in the Little Tokyo neighborhood of Los Angeles, California, and among the broader Japanese community in southern California.” The LTCIF was administered by a founding Steering Committee until June 2020.

The Fund held its first Annual Meeting of Investors in June 2020 and officially elected the Board of Directors (LTCIF Board) and provided a report of activities to all investors who participated via Zoom. An Annual Report was distributed in June 2021 which described the actions taken by LTCIF from January 1, 2020 to December 31, 2020 to achieve its social purpose and the impact of its actions.

### Update

Due to the broad and potentially harmful effects of the COVID-19 pandemic, and the cessation of most in-person meetings and gatherings, the activities of the LTCIF were greatly curtailed. The LTCIF Board continued meeting monthly to conduct business matters; however, outreach activities were difficult to conduct. This report describes the activities of LTCIF for the 18-month period from January 1, 2021 – June 30, 2022 during the season of diminished activity during COVID-19.

### Brief Summary of Annual Report

The LTCIF, though hampered by the Covid-19 pandemic, continued certain activities to move toward its overall dual mission. The Board met at least monthly to ensure the fund has met its legal obligations. LTCIF did bid on a commercial property in Little Tokyo however the owner chose to withdraw the sale offer. The Board also sought support grants from various funding sources; the field of “community-controlled real estate” is growing as a national phenomenon of which LTCIF is at the forefront. The Fund has reached a significant milestone of raising slightly over three quarters of a million dollars, and will continue towards the goal of \$2 million in investment funds.

## Objectives

LTCIF’s social purpose is guided by three objectives:

1. Purchase real estate in Little Tokyo and the surrounding area to guarantee community- based control of these Properties and the neighborhood’s future.
2. Provide affordable rents to Japanese, Japanese American, and other culturally-aligned businesses, institutions, and spiritual centers that define Little Tokyo.
3. Ensure that future generations continue to enjoy Little Tokyo’s historic businesses, restaurants, and institutions beloved by generations past.

To meet the social purpose, objectives, and general intent to remain community-based, the Fund has authorized two classes of shares: Class A and Class B. The Offering Circular dated July 30, 2019 required a minimum subscription amount of \$500,000 by July 30, 2020. LTCIF met this goal in February 2020. A second Offering Circular became available to the public on July 30, 2020 and ended on July 30, 2021. The LTCIF Board is working to secure State approval for a third Offering Circular to become effective as of July 30, 2022.

## Summary of Activities

The LTCIF Board has met virtually each month since June 2020 to continue to raise funds and to discuss real estate issues and internal policies to guide the operations of the Fund. The LTCIF Board continues to pursue a goal of raising \$2.5 million. To achieve that goal, the following actions were taken, despite curtailing of public events and the limitations of the COVID-19 pandemic:

### First Quarter of 2021:

- LTCIF representatives met with Commercial Investment Trust (CIT)/Mercy Corp. in Portland to exchange ideas and approaches for community-controlled commercial real estate.
- LTCIF began discussions with the LA Conservancy and Little Tokyo Service Center regarding establishing an LA City-wide Legacy Small Business preservation program, which would provide more avenues for support and sustainability for potential LTCIF small business tenants.
- The LTCIF Board approved and submitted an offer to purchase a commercial property in Little Tokyo in February, 2021; the seller subsequently chose not to sell at this time.
- LTCIF began planning for a “Sansei Outreach Dinner” to reach out to 3<sup>rd</sup> generation Japanese Americans once the pandemic has subsided.
- Presentation made to Nikkei Progressives Brunch on 1/31 with 25 attendees.
- Presentation made to UCLA Nikkei Student Union Culture Night with 200 attendees on 2/20.

### Second Quarter of 2021:

- The President of LTCIF issued a Spring Update in April in an email blast to all current investors, sharing progress of the Fund and the current need to help small businesses survive during the pandemic.
- Made a virtual presentation about LTCIF to the Board of the Japanese American Bar Association.
- LTCIF Board members discussed the possibility of purchasing a commercial condo space at the First Street North proposed mixed-use project in Little Tokyo which can be dedicated for legacy small businesses.
- Presentation made to CSU Fullerton class on 4/15 with 30 attendees.
- Presentation made to Fandango Obon meeting, with 8 in attendance on 5/15.
- Held the Annual Investors Meeting on 6/13 with 30 LTCIF investors in attendance.

### Third Quarter of 2021:

- In July, LTCIF Board Members hosted a “Spend, Save, Share” financial planning seminar aimed at young adults starting their professional careers.
- Participated in a national webinar convened by the National Coalition for Asian Pacific American Community Development (National CAPACD) on preservation of legacy businesses.
- The second Offering Circular ended on July 30, 2021; the LTCIF Board started work to secure State approval for a third Offering Circular period, and focused on future steps during COVID-19.

### Fourth Quarter of 2021:

- A Winter Update letter from the President of LTCIF was issued to all investors on 12/6 via email to inform them of current activities of the Fund.

### First Quarter of 2022:

- LTCIF formalized a Memorandum of Understanding with the Little Tokyo Service Center to become a nonprofit partner. This will allow LTCIF to pursue grant funding and other funding designated for nonprofit entities.

#### Second Quarter of 2022:

- LTCIF submitted a grant proposal to the Small Business Anti-Displacement Network (SBAN), which funds national and international projects. Proposal was not awarded.
- Re-certification by the State for a third Offering Circular was mostly completed by the end of June 2021, with approval expected within the month for another 12-month period.

### **Progress Assessment:**

The COVID-19 pandemic made it difficult to conduct outreach activities and to grow the LTCIF fund significantly. Nevertheless, the volunteer LTCIF Board met monthly and various LTCIF Board Committees met regularly to discuss what could be done during the pandemic season and develop a plan for action once the pandemic dissipates. The LTCIF Board has established a Finance Committee, a Legal Committee, a Marketing Committee, a Real Estate Committee, and an Investment/Social Purpose Committee, which met regularly throughout the pandemic.

As stated previously in the Summary of Activities, the LTCIF Board actively conducted on-line outreach sessions to various community groups and conducted business to maintain LTCIF presence online, in the media, and via email updates.

### **Achievements:**

As of June 30, 2022, LTCIF has recruited 26 Class A investors and 55 Class B investors. This is an increase from the First Circular which ended with 23 Class A investors and 46 Class B investors in 2020. Class A investors are composed of those who are younger in age and may have lower net worth or who work for nonprofit organizations; they are allowed to invest up to \$2,000 into the Fund. Class B investors can invest at a level of \$10,000 or more, depending on their net worth.

The total funds in the portfolio is \$753,259.08 as of June 30, 2022. This is a significant level of investment and trust from community members, which will allow LTCIF to purchase commercial real estate and assist heritage small businesses that currently operate in Little Tokyo. LTCIF's goal is to raise up to \$2 million in the coming months.

#### ***Real Estate***

LTCIF currently does not have any properties in its investment portfolio; however, the LTCIF Board is working with a real estate broker to identify potential properties in the Fund's target area, currently defined by the following boundaries:

- North: Temple Street
- East: Alameda Street
- West: Los Angeles Street
- South: 3rd Street

A number of the identified properties have existing “legacy” businesses and other culturally-aligned institutions as tenants. There are also opportunities for some of these properties to be the future location of qualified businesses as determined by the guidelines of the Fund. LTCIF has also engaged in discussions with current developers of new projects in Little Tokyo to possibly partner in new commercial construction.

### ***Organizational Structure***

Operation of the Fund is overseen by a 12-member Board of Directors, with the engagement of legal counsel and a certified public accountant. LTCIF is also aided with in-kind staff support from the Little Tokyo Service Center, who is the nonprofit partner for LTCIF. In the event LTCIF is able to purchase a commercial property, the need for additional professional services will be required.

Currently, the LTCIF Board functions with an active Committee structure:

- Marketing Committee - Tasked with implementing outreach and marketing activities. During COVID-19, it has focused on virtual outreach and refining LTCIF informational products.
- Legal Committee - Consults with legal counsel regarding legal matters of LTCIF and in ensures conformity to the standards and requirements for investment funds in the State of California.
- Social Impact Committee - Creates, evaluates, and monitors social impact guidelines and criteria for the LTCIF.
- Investment/Real Estate Committee - Develops investment policy guidelines for the LTCIF and seeks to identify and analyze investment options and opportunities for the LTCIF.
- Finance Committee - composed of the Board Treasurer and Assistant Treasurer to oversee the finances of LTCIF and make monthly reports to the LTCIF Board.

The LTCIF Board created guidelines to measure social and investment impact of a potential property. Additionally, LTCIF Board committee members created guidelines for eligible small businesses that can be served by the Fund. Taken together, these guides provide a framework to ensure the Fund fulfills its social purpose to assist heritage small businesses and support the historic ethnic neighborhood.

### **Future Action**

Below is a summary of short-term and long-term actions and goals for LTCIF:

- Continue to seek commercial properties in or near the historic neighborhood of Little Tokyo for purchase to offer subsidized rents for heritage small businesses while generating revenue for operations and return on investment. LTCIF will continue to work with a real estate broker and the Little Tokyo Service Center to identify properties in the target area.
- Conduct outreach and marketing (virtually and in-person when appropriate) to increase the number of investors and grow the Fund portfolio. LTCIF will seek to expand its marketing and outreach efforts as pandemic restrictions ease, by hosting public meetings and presentations to increase the number of investors and supporters. LTCIF’s goal is to reach an investment portfolio of \$2 million.
- Manage the Fund to ensure proper legal and fiscal status. LTCIF will continue to apply for grant funding where appropriate to support the work of the Fund.
- Maintain a well-functioning Board of Directors and bring on additional expertise for future administrative needs.

- LTCIF will continue to renew its annual certification to operate in the State as an investment fund to reach its financial and social purpose goals.