

# Civic Engine Guaranty Fund

**Treasury-Backed Guarantee Facility for Sustainable Housing at Scale**

**Document Type:** MARKETING

**Date:** March 2026

**Version:** 5.0

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## The Problem

Kansas City needs 20,000+ affordable housing units. Federal programs produce them in dozens. Conventional developers avoid them because the economics don't work. Nonprofit builders can't scale beyond a few hundred.

The barrier isn't will --- it's structure. Mission-driven developers cannot access the financing that for-profit builders take for granted, because lenders require personal guarantees that consume the developer's entire balance sheet on a single project. One building at a time. One guarantee at a time. No path to scale.

## The Solution

The Civic Engine Guaranty Fund removes this constraint. It pools investor capital in U.S. Treasuries and uses that pool as collateral for construction loan guarantees --- enabling a mission-driven developer to build at the scale of a for-profit one, without compromising a single principle.

Your capital stays in Treasuries, earning ~4.35% net. The guarantees unlock \$1.15 billion in development. And the families who move in save \$2,000+ per month --- because these developments address all the costs that trap working families in poverty, not just rent.

<b>\$30M Initial / \$200M Target</b>	<b>~4.35%</b>	<b>\$1.15B</b>	<b>11.4%</b>
Fund Size	Net Investor Return	Development Enabled	Core Blended Impact IRR

## How It Works

1. **Investors contribute** to a Treasury-backed pool --- initially \$30 million, scaling to \$200 million at full deployment.
2. **The Fund guarantees** construction loans at 50% of principal. Treasuries serve as collateral.
3. **Projects get built.** The guarantee is what unlocks institutional-scale financing.
4. **Treasury interest compounds** within the Fund (~4.35% net annualized to investors).
5. **As buildings stabilize,** guarantees release. Capital recycles. Impact compounds.

The developments --- not the investors --- pay for fund operations. Each project pays a 25 bps guarantee fee that exceeds the Fund's actual operating expenses. Arnold Holdings also contributes 20% of after-debt project cash flow to the Fund as subordinate equity, further accelerating growth.

**No carried interest. No performance fee. Effective investor cost: ~0.15%.**

## Two Projects, One Fund

### North Loop --- Downtown Kansas City

2,000 housing units built to Passive House standards across seven blocks in Downtown Kansas City's Central Business District. A 52 MW Thermal Energy Network reduces energy costs by 70%. 800 units are LIHTC affordable at 30--80% AMI. ADG is lead developer.

### Crossroads --- Kansas City's Cultural Heart

~2,000 housing units in the Crossroads Arts District, anchored by the adaptive reuse of the Tension Envelope building --- 500,000 SF of industrial heritage. A 40,000 SF Innovation Center (Keystone Innovation) and 50,000--100,000 SF biotech laboratory anchor the commercial program. KC Streetcar provides free transit connecting both districts. ADG is lead developer in partnership with The Way Home.

Metric	North Loop	Crossroads	Combined
Total Units	2,000	~2,000	~4,000
Affordable Units	800	~800	~1,600
Development Cost	\$552M	~\$600M	~\$1.15B
Annual Energy Savings	\$2.4M	~\$2.4M	~\$4.8M
Annual CO2 Avoided	~4,000 tons	~4,000 tons	~8,000 tons

## Fund Terms

Term	Value
Initial Fund Size	\$30,000,000
Target Fund Size	\$200,000,000
Net Investor Return	~4.35% annualized (retained, compounding)
Effective Investor Cost	~0.15% (cost-recovery management fee; excess returned)
Collateral	100% U.S. Treasuries
Leverage Ratio	5.75:1
Fund Term	15 years + 2 two-year extensions
Initial Closing Minimum	\$10,000,000
Minimum Investment	\$1,000,000
PRI Eligible	Yes
Distributions	Retained, compounding; distributed at termination
Carried Interest	None
Manager	Civic Engine Fund Management LLC (100% Arnold Holdings-owned)

## First Deployment: Historic Northeast Lofts

The Fund's first guarantee backstops **Historic Northeast Lofts** --- ADG's \$451M, 22-acre adaptive reuse development in Kansas City's Historic Northeast --- currently under construction with a June 2026 closing. HNEL delivers 395 homes (83% affordable), a 29,500 SF public market,

on-site childcare, a 30,000 SF wellness center, healthcare access, and job training. A 4 MW solar array and 228 geothermal wells produce zero utility bills for residents.

JPMC, as Federal Historic Tax Credit investor, requires a warm-body guarantor or a special-purpose entity with at least \$10M in assets. The Fund satisfies this requirement at its Initial Closing --- unlocking \$451M in development with a \$10M commitment.

HNEL's \$68M in layered reserves --- including a \$26.7M liquidity reserve, GMP contracts, payment and performance bonds, and state housing agency oversight --- make a guarantee draw unlikely.

**Pipeline:** The Civic Engine development deploys this model across two districts and 4,000 homes (\$1.15B).

**Track record:** Mayo Mill (\$14M, 11 funding sources, Maine Preservation Award) --> Second & Delaware (\$109M, world's largest Passive House, 276 units) --> Historic NE Lofts (\$451M, 395 units, under construction) --> Civic Engine (\$1.15B, 4,000 units).

## Impact

### **Core impact (conservative, auditable --- 11.4% blended IRR):**

\$9.6M annual rent savings + \$4.8M energy savings + \$0.4M carbon avoidance = **\$14.8M/year in quantified social value**, verified through IRIS+ metrics, third-party energy audits, and EPA social cost of carbon.

### **Illustrative total community value (~16.2% blended IRR):**

When accounting for childcare, healthcare, transportation, food access, job training, and wellness savings modeled on Historic Northeast Lofts --- total community value reaches ~\$24.6M/year. These figures are modeled from peer-reviewed studies and disclosed separately from core metrics.

*For detailed methodology, see Impact Methodology & Calculation Framework (Document 2.4).*

## Why This Fund

Feature	Why It Matters
<b>Principal Protected</b>	100% Treasury-backed collateral; investor capital never deployed into projects
<b>No Carry, No Performance Fee</b>	Effective cost ~0.15%; projects pay for fund operations
<b>Execution Ready</b>	HNEL under construction (June 2026 closing); North Loop permitted; Crossroads in advanced planning
<b>Proven Developer</b>	27-year track record culminating in world's largest Passive House building
<b>Two-Project Diversification</b>	Risk spread across two districts, two timelines, two financing structures
<b>PRI Eligible</b>	Designed for foundation program-related investments under IRC 4944
<b>5.75:1 Capital Efficiency</b>	Every \$1 invested enables \$5.75 in sustainable development

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