

THREE ROOTS CAPITAL

Knoxville, TN



OVERVIEW

Three Roots Capital (aka 3Roots) is a qualified community development entity registered as a 501c3 non-profit corporation, which provides impact capital and coaching for job-creating small businesses, placemaking real estate projects, and community facilities.

The Corporation is primarily engaged in activities to stimulate economic growth throughout Tennessee and the Appalachian region. The Corporation has an education and community development mission of supporting access to capital and related activities in LMI-qualified census tracts in 10 states: Tennessee, Kentucky, Ohio, West Virginia, Virginia, North Carolina, South Carolina, Georgia, Alabama, and Mississippi. Our financial services include equity investing, commercial debt, subordinated debt, tax credit transactions, community development services, and business coaching services. We partner with the Knoxville Area Urban League, a co-starters program, to provide finance and business strategy workshops. The Knoxville Area Urban League is a licensed Co/Starters Entrepreneurship training center training program for entrepreneurs at all stages. Participants discuss business concepts and learn collaboratively with a small group of entrepreneurs and guest speakers.

THREE-YEAR IMPACT

- ▶ \$62.9 million in loans and \$430k in equity investments to 29 businesses (2 minority-owned and 3 women-owned)
- ▶ 890 FTE construction jobs and 1,573 jobs at businesses financed
- ▶ 2.8 million sq. ft. of commercial real estate
- ▶ \$250,000 in green financing

Housing Financing:

- ▶ 490 affordable rental units

REPURPOSING A STATE PENITENTIARY

Brushy Mountain State Penitentiary (Brushy) opened in 1896 and operated until 2009, housing notable criminals like James Earl Ray and Byron "Low Tax" Looper. Today, the prison is a popular tourist attraction, featuring a museum, restaurant, concert venue, moonshine distillery, tours, and gift shop for visitors traveling to Morgan County in Petros, Tennessee.

Brushy is in a rural, severely distressed census tract. Operating Partner Pete Waddington spent several years working with state and local agencies to repurpose the facility. Despite years as a successful business owner, Pete said Brushy has been his most complex project to finance.

The 3Roots team worked with Waddington to refine his financing strategy, provide financing, and support the business's launch, which has thrived since opening, enduring the challenges of the COVID-19 pandemic. 3Roots assisted Brushy in multiple ways over five years. 3Roots provided direct microloan financing through its USDA Rural Microentrepreneur Assistance Program (RMAP) and CDFI-qualified senior commercial debt. 3Roots has grown its relationship with Brushy to include multiple regional banks and local government partners. 3Roots' financing of Brushy supported creating more than 80 accessible jobs, 21 of which are full-time.

Over the past five years, 3Roots provided \$2.9M in total financing, including six microloans and one \$2.7M loan. The loans have financed: furniture and fixtures to replace porta potties with renovated bathrooms; booking deposits paid to performers for seasonal concerts; equipment for the distillery and restaurant; and a consolidation loan to dramatically reduce total interest expense, thereby setting the financial stage for a 2024 expansion project, including a campground and RV park.

Brushy has strong community support and more than \$1.9 million from federal, state, and local governments and the Appalachian Regional Commission, which has improved infrastructure and established a concert resort and music stage.

Waddington wants to keep growing and providing economic benefits to the region. 3Roots continues working with him on future growth opportunities. "I don't think we would be open without the help of Three Roots," said Waddington. "I can't say enough great things about those guys. I will work with them again."