Making New Markets Work for Your Institution: You Don’t Have to Have An Allocation

NCIF Annual Development Conference
CDFI Bank 2.0: Innovation for Impact

November 12, 2013
Introductions

Meet Your Presenters

Nancy Montoya
*Regional Community Development Manager*, Federal Reserve Bank of Atlanta

Marysol McGee
Board of Governors of the Federal Reserve System

Robert Ibanez
*NMTC Program Manager*, CDFI Fund

Julius Kimbrough
*Vice President*, Liberty Bank & Trust

Vickie Battle
*Vice President, Investments and Lending*, National Community Investment Fund
Presentation Roadmap

- **Introductory Remarks** – Nancy Montoya
  - Workshop Objectives
  - Board of Governors, Federal Reserve Banks, CDFI Fund and NCIF Partnership

- **Federal Reserve System Perspective** – Marysol McGee
  - What is the New Markets Tax Credit Program?
  - How Can the Program Help my Bank?

- **CFDI Perspective** – Bob Ibanez
  - History of the Program
  - Program Basics

- **Bank Involvement with New Markets**
  - Why Should Your Bank Get Involved with the Program? - Vickie Battle

  **10 Minute Break**

- **Real Deals**
  - Transaction Structure Considerations – Julius Kimbrough
  - Case Studies – Julius Kimbrough and Vickie Battle

- **How to Identify Deals**
  - Deal Characteristics and Project Types – Julius Kimbrough
  - Sourcing Allocation – Bob Ibanez

- **NCIF New Markets-Enhanced Small Business Loan Fund** – Vickie Battle

- **Workshop Summary and Conclusion** – Vickie Battle
Federal Reserve Partnership—Board of Governors, Federal Reserve Banks of Atlanta, Boston, Chicago, and Richmond - with the National Community Investment Fund

Banks in different districts have expressed interest in participating in the NMTC program

Reserve Bank system interested in supporting their constituency in enhancing the applicability of the program to their banks

Workshop Objectives – short term and medium term goals
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Building Communities,
Building New Markets Tax Credit Opportunities

Marysol McGee
Board of Governors of the
Federal Reserve System

NCIF Annual Conference
November 12, 2013
What is the New Markets Tax Credit Program?

Program that uses federal tax credits to attract private capital into urban and rural low-to-moderate income communities.

Funds business development lending and investments, including: commercial real estate, community facilities, food, retail, manufacturing, housing, technology, energy, education and health care.

In addition to investment and lending that provide critical community services, the program also fosters job creation in low-to-moderate income communities.
88% of NMTC investors surveyed said they would not have invested in a low-income community without the tax credit.

NMTCs have proven to be critical in helping to meet the needs of LMI communities by attracting capital.
For every $1 invested in the NMTC program, $8 of private investment is generated*

Puts funding where it is most needed: over 70% of NMTCs investment are in highly distressed markets*

*Source: The New Markets Tax Credit 10th Anniversary Report, the New Markets Tax Credit Coalition
2012: Where Did the Money Go?

Types of Projects Financed by Dollar Amount (QLICIs)

TOP BUSINESSES FINANCED

1. Educational and Community Facilities

2. Industrial (industrial, manufacturing, transportation logistics, or warehousing space)

3. Health (health and human services)

Source: The 2013 New Markets Tax Credit Progress Report, the New Markets Tax Credit Coalition, June 2013
Dollar Amount in QLICIs by Metro and Non-Metro Area

Non-Metro QLICIs
$697,415,962
21%

Metro QLICIs
$2,640,872,613
79%

Source: The 2013 New Markets Tax Credit Progress Report, the New Markets Tax Credit Coalition, June 2013
NMTC Are Increasingly Reaching the Areas of Most Distress…

Investments in Areas of Higher Distress

Source: The 2013 New Markets Tax Credit Progress Report, the New Markets Tax Credit Coalition, June 2013
# Investments by Area of Higher Distress in 2012

## Investments in Areas of Higher Distress

<table>
<thead>
<tr>
<th>Community Characteristics</th>
<th>Number of Projects</th>
<th>Percent of Projects</th>
<th>Total Project Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty Rates Greater than 30%</td>
<td>129</td>
<td>47.3%</td>
<td>$2,473,855,227</td>
</tr>
<tr>
<td>Median Income Less than 60% of Area Median Income</td>
<td>149</td>
<td>54.6%</td>
<td>$3,341,054,227</td>
</tr>
<tr>
<td>Unemployment at Least 1.5 Times the National Average</td>
<td>177</td>
<td>64.8%</td>
<td>$3,827,108,803</td>
</tr>
<tr>
<td>Severe distress (one or more of the above characteristics)</td>
<td>206</td>
<td>75.5%</td>
<td>$4,201,424,237</td>
</tr>
</tbody>
</table>

*Source: The 2013 New Markets Tax Credit Progress Report, the New Markets Tax Credit Coalition, June 2013*
Investments by Area of Higher Distress in 2012

- Below Market Interest Rate at Origination: 96.6%
- Lower than Standard Origination Fees (Financial Note): 78.4%
- Longer than Standard Period of Interest Only Payments: 88.8%
- Longer than standard amortization period: 58.1%
- More flexible borrower credit standards: 50.6%
- Non-traditional forms of collateral: 14.7%
- Lower than standard debt service coverage ratio: 48.8%
- Loan loss reserve requirements that are less than standard: 50.6%

Source: The 2013 New Markets Tax Credit Progress Report, the New Markets Tax Credit Coalition, June 2013
NMTC Can Help Leverage Other Credit Enhancements

By layering funding, NMTC support development in LMI communities

- Historic Tax Credits
- Renewable Energy Investment Tax Credits
- State NMTC, State SSBCI programs
- U.S. Department of Agriculture Loan Programs
- Planning District Loan Programs
- CDFI lending
NMTC Can Help Banks Meet their Financial Goals

- Banks can participate in a variety of ways that drive new business to their portfolios
- Investors can receive competitive returns on their equity investments
- Leverage lenders may earn rates at or near market rates
- NMTC enable participation in deals that otherwise would not be feasible
- Bangor Saving & Loan:
  - “Doing Well While Doing Good”
Subsidy can be used to reduce the interest rates on loans that otherwise would be unaffordable.

Could enhance the equity position of the owner beyond the NMTC compliance period, enabling stable permanent financing.

Provide flexible terms
- Lower origination fees
- Interest-only payment periods
- Higher loan-to-value ratios
A bank can receive consideration for its NMTC participation in several ways:

- Investments in CDEs (the NMTC allocatee)
- Pro rata portion of a loan originated by a CDE
- Partial credit for investment
- Partial credit for loan
What Is the Community Reinvestment Act?

CRA Statute --12 USC 2901 (Reg. 12 CFR 25)

• Enacted to prevent redlining and to encourage financial institutions to help meet the credit needs of all segments of their communities, including low- and moderate-income (LMI) neighborhoods
  • Including low- and moderate-income individuals and tracts.
  • Including businesses/farms of different sizes and borrowers of different income levels.
  • Consistent with safe and sound operations.
Decommissioned Naval Air Station, May 2011
- 1.5 million sq. ft. commercial/industrial space
- 1,100 housing units
- 3,300 acres

Maine legislature establishes the Midcoast Regional Redevelopment Authority
- Includes additional tax rebate/reimbursement program and apprenticeship program

Renamed Brunswick Landing
Late 2010, MRRA issues RFP for $14MM in financing for 80,000 manufacturing facility
  • Senior leverage loan and NMTC equity investment
  • Attracts anchor tenant: Molynlycke Health Care US LLC - Swedish multinational medical and surgical supplies manufacturer
    • “The strong team effort (and) NMTC-based financing was instrumental in our decision to locate this critical factory in Maine.”
  • CDE: CEI Capital
  • Leveraged Lender: Bangor Savings Bank
  • Equity Investor: Wells Fargo Community Investment Holdings
• Closed in late 2011
• Molynlycke Health Care US
  • 50 new skilled manufacturing workers
• Anchor tenant attracted other advanced-technology companies:
  • American Bureau of Shipping
  • Integrated Marine Systems
  • Oxford Networks
• On-site business development: Maine Technology Institute (MTI)
• Technical college: Southern Maine Community College and Maine Advanced Technology and Engineering Center
ECONOMIC CONDITIONS NEAR NAVAL AIR STATION BRunswick (NASB)

**DID THEY TAKE OFF?**

<table>
<thead>
<tr>
<th>POVERTY RATE</th>
<th>MEDIAN FAMILY INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NASB</strong></td>
<td></td>
</tr>
<tr>
<td>6.2%</td>
<td>$40,652</td>
</tr>
<tr>
<td>2000</td>
<td>2000</td>
</tr>
<tr>
<td>3.9%</td>
<td>$50,915</td>
</tr>
<tr>
<td><strong>U.S.</strong></td>
<td></td>
</tr>
<tr>
<td>12.4%</td>
<td>$50,046</td>
</tr>
<tr>
<td>2000</td>
<td>2000</td>
</tr>
<tr>
<td>14.3%</td>
<td>$64,293</td>
</tr>
<tr>
<td><strong>ME</strong></td>
<td></td>
</tr>
<tr>
<td>10.9%</td>
<td>$45,179</td>
</tr>
<tr>
<td>2000</td>
<td>2000</td>
</tr>
<tr>
<td>12.8%</td>
<td>$60,021</td>
</tr>
<tr>
<td>Cumberland County, ME</td>
<td>$54,485</td>
</tr>
<tr>
<td>2000</td>
<td>2000</td>
</tr>
<tr>
<td>NA</td>
<td>$73,913</td>
</tr>
<tr>
<td>Portland-South Portland-Biddeford Metro Area, ME</td>
<td>$70,682</td>
</tr>
<tr>
<td>2000</td>
<td>2000</td>
</tr>
</tbody>
</table>

The poverty rate in the NASB went down but worsened in the county, state, and nation.

The median income for families in the NASB area rose but remained below national, state, county, and metro levels.

*Naval Air Station Brunswick (NASB) is in Census Tract 111, part of Cumberland County, Maine.

**To qualify for New Markets Tax Credits (NMTC), the poverty rate in a U.S. Census tract must be at least 20 percent. Otherwise, the median family income in a tract that is not within a metropolitan area must be less than 80 percent of the statewide median or the median family income for a tract within a metropolitan area cannot exceed 80 percent of the greater of statewide or metropolitan area median family income.

Thank you!

Resources

*Investing in What Works for America’s Communities*
Federal Reserve Bank of San Francisco

*New Markets Tax Credits: Unlocking Investment Potential*
Office of the Comptroller of the Currency

*CDFI Fund Year in Review 2012*
The CDFI Fund
[http://www.cdfifund.gov/impact_we_make/research/FY%202012%20CDFI%20Fund%20Year%20in%20Review.pdf](http://www.cdfifund.gov/impact_we_make/research/FY%202012%20CDFI%20Fund%20Year%20in%20Review.pdf)

*Reports and Case Studies*
The New Markets Tax Coalition
[http://nmtccoalition.org/reports-case-studies/](http://nmtccoalition.org/reports-case-studies/)
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New Markets Tax Credit Program Overview

PRESENTED BY
Bob Ibanez
PRESENTED ON
November 12, 2013
NMTC Program Summary

- The NMTC Program encourages private investment by providing a credit against Federal income taxes to investors that make Qualified Equity Investments (QEIs) into Community Development Entities (CDEs).
- CDEs are an intermediary vehicle for the provision of loans, investments or financial counseling in “Low-Income Communities” (LICs).
  - LICs are census tracts with at least 20% poverty rate; or where the median family income does not exceed 80% of the area median family income; or where the median family income does not exceed 85% of the area median family income, provided the census tract is located in a high migration rural county.
- CDEs use the proceeds of QEIs to make Qualified Low-Income Community Investments (QLICIs).
- QLICIs include, among other things, investments in operating businesses and real estate projects e.g., develops or rehabilitates commercial, industrial, retail, community facilities, mixed-use, and for-sale housing in low-income communities.
Ineligible Activities

Residential rental property
• Buildings or structures that derive 80 percent or more of its gross rental income from renting dwelling units.

Certain types of businesses
• Golf courses;
• Race tracks;
• Gambling facilities;
• Certain farming businesses;
• Country clubs;
• Massage parlors;
• Hot tub facilities;
• Suntan facilities; and
• Stores where the principal business is the sale of alcoholic beverages for consumption off premises.
Summary Graphic

CDFI Fund

Community Development Entity Allocatee

CDEs must make qualified loans or investments in low-income communities, such as:
- Financing operating businesses
- Financing commercial real estate
- Financing community facilities
- Financing for-sale housing

CDE must offer credits to investors within five years

Private Investors

Qualified equity investments must stay invested in CDE for seven years
History
Since its inception in 2000....

- Completed ten allocation rounds;
- Made 749 awards totaling $36.5 billion in allocation authority;
- Includes $3 billion in Recovery Act Awards and $1 billion of special allocation authority to be used for the recovery and redevelopment of the Gulf Opportunity Zone.
2013/2014 (combined) NMTC Applications and Allocations

Received a total of 310 applications under the 2013/2014 round.

The CDEs that applied under the 2013/2014 round are headquartered in 43 states, the District of Columbia, and Puerto Rico.

The applicants requested an aggregate total of $25.8 billion in NMTC allocation authority.

2013/2014 Round: $8.5 billion ($3.5 billion authorized, $5 billion subject to Congressional authorization).
Selection Process

Phase 1: Peer Review
External reviewers evaluate and score applications.

Phase 2: Panel Review
Applications that meet minimum scoring thresholds in each of the four major application sections (Business Strategy, Community Outcomes, Management Capacity, and Capitalization Strategy) are sent by ranking score to a CDFI Fund panel for consideration.

During Panel the CDFI Fund will review past transactions from Prior Allocatees.

Selection of Applicants
Selecting Official makes final determinations based upon panel recommendations.

Adjustments may be made to the final pool to ensure proportional representation from CDEs serving Non-Metropolitan Counties.
NMTC Impacts at a glance

### CUMULATIVE AND ANNUAL PERFORMANCE OF NMTC PROGRAM ALLOCATEES

<table>
<thead>
<tr>
<th>Lending and Investing Activity</th>
<th>FY 2012</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total QLICI(^8)</td>
<td>$5.5 billion</td>
<td>$26.4 billion</td>
</tr>
<tr>
<td>Number of QLICI</td>
<td>1,278 QLICIs</td>
<td>6,814 QLICIs</td>
</tr>
<tr>
<td>Percent of Loans/Investments in Severely Distressed Communities</td>
<td>70.6%</td>
<td>70.5%</td>
</tr>
<tr>
<td>Jobs at End of Reporting Period</td>
<td>31,405 jobs</td>
<td>111,277 jobs</td>
</tr>
<tr>
<td>Projected Construction Jobs</td>
<td>52,448 jobs</td>
<td>247,555 jobs</td>
</tr>
<tr>
<td>Affordable Housing Units Financed</td>
<td>2,967 housing units</td>
<td>7,488 housing units</td>
</tr>
<tr>
<td>Sq. Ft. of Commercial Real Estate</td>
<td>18.6 million sq. ft.</td>
<td>109.3 million sq. ft.</td>
</tr>
<tr>
<td>Businesses Financed</td>
<td>578 businesses</td>
<td>1,781 businesses</td>
</tr>
</tbody>
</table>

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND // www.cdfifund.gov
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How can my Bank get Involved?

- Bank as Allocatee

- Bank as Lender
  - Leveraged Lender to the Investment Fund
  - Lender to Sponsor that makes the Leveraged Loan
  - Direct Lender to the Qualified Business
  - Participants in Loan made by other banks (could be the bank associated with the equity investor)

- Bank builds relationship with the QALICB via depository, trust, loan servicing or other banking services.
Leverage Structure Transactions

- Lender to Sponsor
  - Leverage lender
    - $7.2 million loan
  - Investment Fund
    - 100% owned by equity investor
      - $2.8 million equity investment
      - $3.9 million in tax credits on full QEI ($10 million) over seven years; interest only from B-note
    - Interest-only payments from A-note ($7.2 million) for seven years
    - Distribution of interest payments on loan, net of expenses
      - $10 million QEI
      - Tax credits
  - Sub-CDE
    - 99.99% owned by Investment Fund, 0.01% by CDE as managing member
    - A-note: $7.2 million
      - Senior position
      - Seven-year term
      - Near market rate
    - B-note: $2.8 million
      - Subordinate
      - 30-year term
      - Below market rate
  - CDE
  - Qualified business (QALICB)
    - Interest income
    - Interest income

Source: OCC
NCIF’s 3-Way Partnership

- **NCIF** requires the involvement of a mission-oriented bank in **every** transaction to which it directs NMTC allocation to maximize our impact in some of the most highly distressed communities in the country.

- **Mission-oriented banks** recommend a transformational local project. As a Tax Credit Equity Investor, Leveraged Lender, Direct Lender, or Co-Allocatee, the bank is able to provide opportunities to their communities at a lower financing cost, and with lower risk.

- **Investor banks** provide tax credit equity to the project. The large banks are able to build relationships with community banks and apply that local expertise to meet their CRA obligations in low-income communities.
$30 MM total project for the reuse and rehabilitation and conversion of a historic, dilapidated 13-story structure into 56 residential units and 50,974 sf of office space.

**TRANSACTION PARTNERS**
- **2 CDFI Banks as Leverage Lenders**
  - Both have local offices in the city of Detroit
  - Both committed to the City of Detroit’s long-term revitalization plan
- **1 CDFI Bank as Loan Participant in Direct Loan to the Project**
- **NCIF** as Allocatee
- **CHASE** as Investor and Allocatee
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# Transaction Structure Considerations

<table>
<thead>
<tr>
<th></th>
<th>Leveraged Loan</th>
<th>Bank Loan to Sponsor/Direct Loan to Project</th>
<th>CDE Loan to QALICB</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loan Terms</strong></td>
<td>7 year</td>
<td>7 year</td>
<td>7 year</td>
</tr>
<tr>
<td><strong>Amortization</strong></td>
<td>30 years</td>
<td>Straight line</td>
<td>30 years</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>Market Rate</td>
<td>Market Rate</td>
<td>Blended Rate</td>
</tr>
<tr>
<td><strong>Forbearance</strong></td>
<td>7-year standstill</td>
<td>7-year standstill</td>
<td>7-year standstill</td>
</tr>
<tr>
<td><strong>Prepayments</strong></td>
<td>Not-allowed</td>
<td>Not-allowed</td>
<td>Not-allowed</td>
</tr>
<tr>
<td><strong>Collateral</strong></td>
<td>On Membership Interests of IF</td>
<td>Normal Collateral</td>
<td>Normal Collateral</td>
</tr>
<tr>
<td><strong>Operations</strong></td>
<td>Normal</td>
<td>Normal</td>
<td>Normal</td>
</tr>
<tr>
<td><strong>Compliance by CDE</strong></td>
<td>IRS and CDFI Fund</td>
<td>IRS and CDFI Fund</td>
<td>IRS and CDFI Fund</td>
</tr>
<tr>
<td><strong>Participation in NCIF Network</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>NA</td>
</tr>
</tbody>
</table>
Impact

- “But For” Test
  - Demonstrate that the project cannot be financed without the NMTC subsidy

- Highly Distressed Area
  - 100% of all loans have to be in highly distressed area – commitment to the CDFI Fund to finance the most impactful transactions

- Community Benefits Agreement
  - Impact criteria need to be codified and measured on an annual basis. This includes indexes of impact like jobs created/maintained, community facilities created et al

- “Pay for Impact” Incentives
  - NCIF structure to reduce cost of funds in exchange for demonstrated increase in impact
Real Deals: CASE STUDIES
Real Deal: Insufficient Capital to Complete High Impact Transaction

(Detroit, MI)

- **Federally designated food desert** - No national grocer presence in more than 50 years

- **Significantly Severely Distressed Area**
  - 40%+ Poverty Rate
  - Unemployment Rate of 3.22x National Average

- **Zones**
  - Economic Hot Zone
  - Tax Increment Financing Zone
  - Brownfield Redevelopment Area
  - Federally Designated Food Desert

11/12/2013
Real Deal: Insufficient Capital to Complete High Impact Transaction

(Detroit, MI)

1. Retail Developer creates a plan to meet the need-a 362,000 sf retail shopping center anchored by a national grocery superstore
   1. Great idea
   2. Limited Equity

2. Goals of project align with community and local government efforts to create new jobs and eliminate blighted property

3. Grant and Loan funding commitments as Leverage Loan
   - Tax Incremental Financing
   - Brownfield Tax Credits (Bank provided bridge financing)
   - City Infrastructure Grants
   - Urban Development Loan
   - Local Economic Development Funding
   - Borrower Equity

   NOT ENOUGH – 70% of Project Funding

11/12/2013
New Markets Tax Credits

...provided the required 30% gap financing by LEVERAGING committed funding sources with Tax Credit Investor Equity with...

terms designed to improve cash flow, such as,

- flexible payment terms
- lower interest rates
- extended interest only period
to help...

- Create 800+ new jobs
- RemEDIATE and revitalize a 36 acre brownfield site
- Introduce a regional supercenter providing affordable groceries to more than 500,000 residents
- Bring in a series of national retailers
Post Hurricane Katrina Financing to Rebuild a Local Funeral Home
(New Orleans, LA)

- 125-year-old, family-owned business employed between 50 and 100 employees at six locations
- Hurricane Katrina wiped out their fleet of limos, damaged every New Orleans location, and ravaged their signature funeral parlor, a grand 1920s theater in the Broadmoor area.
- Employees were scattered and homeless.

About the Community:
- Poverty Rate – 55%
- 27% Area Median Income
- SBA designated HUB Zone
- GO Zone
- State Enterprise Zone

Black businesses hit hard in New Orleans
African-American firm owners exited the business community in higher numbers than white owners - and those that returned face more challenges.
Post Hurricane Katrina Financing to Rebuild a Local Funeral Home

(New Orleans, LA)

1. Business owners tried to balance renovating damaged buildings with performing funeral services, usually at other churches.

2. Grant and Loan funding commitments
   - State Community Revitalization Deduction
   - State Historic Tax Credits
   - Other GO Zone incentives = accelerated depreciation

3. Rebuilding efforts undertaken amidst an uncertain future for the city of New Orleans
   1. Unpredictable financial forecast
   2. Cost to rebuild exceeded project value
   3. Limited financial resources

RISK PROFILE VERY HIGH = $2.5 million needed
New Markets Tax Credits program flexibility...helped the Rhodes family to provide the gap financing needed to...

...complete the renovations needed to re-open this longstanding business...

.... Re-establish itself as an anchor and employer for a neighborhood devastated by Hurricane Katrina
Real Deal: Insufficient Collateral to Complete Family Services Facility Expansion
(Vancouver, WA)

- **Community Service Organization**
  - Expansion project to increase physical space to accommodate more programming
  - High proportion of services offered to LIC residents for free or at a subsidized rate

- **Unemployment rate more than 1.5x national average**

- **Located adjacent to and actively patronized by residents of neighboring Housing Authority apartments**

11/12/2013
1. Goals of project align with community and local government – increasing capacity to fill a void created by elimination of much needed family-based social service programming due to budget cuts.

2. Grant and Loan funding commitments
   - Capital campaign bridge loan (CDFI Banking Partner)
   - State Grant

3. Cost of expansion well exceeds project value

   Over 100% LTV
Real Deal: Insufficient Collateral to Complete Family Services Facility Expansion (Vancouver, WA)

New Markets Tax Credits
Enabled the project transaction partners to look beyond the value of the project to See the Value of its USE

The combination of ..
...a low interest rate with
...a longer standard period of interest only payments, yielded a reasonable debt service level
...which produced favorable cash flows and
...lessened collateral dependence, which resulted in

- Addition of a Teen Center
- Gymnasium Upgrade
- Swim instruction program expansion
- Convening space for local clubs and service organizations
New Markets Tax Credits
...provided the equipment financing for a minority owned Pizza Chain
• Market interest rates
• Longer than standard period of interest only payments and
• Lower than standard debt service coverage ratio

About the Community
• Poverty Rate – 16-38%
• Maintained 261 jobs
1. Provided equipment for 18 stores around the State of Louisiana
2. Long-term Liberty Bank customer
3. Bank could not extend additional credit to borrower
4. Total deal size $375,000
Real Deal: Insufficient Cash Flow to Sustain Charter School Operations
(Chicago, IL)

- High performing charter school in need of renovation and expansion

About the Community
- Poverty Rate – 44.5%
- Unemployment Rate – 3.55x National Average
- SBA designated HUB Zone
- CDFI Fund Hot Zone
- Federally designated medically underserved areas
1. Goals of project align with community and local government – School birthed from a social service agency dedicated to serving low-income immigrants – wants to increase capacity and expand services to include adult education programming

2. Grant and Loan funding commitments
   - Loan to Sponsor (CDFI Banking Partner)
   - State Grant

3. Construction cost overruns increased deal size.
   Expensive Capital = Staff and Program Cuts
Real Deal: Insufficient Cash Flow to Sustain Charter School Operations
(Chicago, IL)

New Markets Tax Credits
...provided the gap financing needed under terms that produced a debt service requirement that did not impair the school’s operating cash flows, such as,

• Very low interest rates
• Longer than standard period of interest only payments and
• Subordinated debt
to help enable the school to...

• Increase enrollment capacity
• Expand after school programming
• Offer adult education programming such as ESL and computer training

• AND NCIF offered a Pay for Performance Incentive – to encourage even more good work
Presentation Roadmap

- **Introductory Remarks** – *Nancy Montoya*
  - Workshop Objectives
  - Board of Governors, Federal Reserve Banks, CDFI Fund and NCIF Partnership

- **Federal Reserve System Perspective** – *Marysol McGee*
  - What is the New Markets Tax Credit Program?
  - How Can the Program Help my Bank?

- **CFDI Perspective** – *Bob Ibanez*
  - History of the Program
  - Program Basics

- **Bank Involvement with New Markets**
  - Why Should Your Bank Get Involved with the Program? - *Vickie Battle*
  - How Can Your Bank Get Involved With the Program? – *Julius Kimbrough and Vickie Battle*

  **10 Minute Break**

- **Real Deals**
  - Transaction Structure Considerations – *Julius Kimbrough*
  - Case Studies – *Julius Kimbrough and Vickie Battle*

- **How to Identify Deals**
  - Deal Characteristics and Project Types – *Julius Kimbrough*
  - Sourcing Allocation – *Bob Ibanez*
  - NCIF New Markets-Enhanced Small Business Loan Fund – *Vickie Battle*

- **Workshop Summary and Conclusion** – *Vickie Battle*
How to Identify New Markets Deals

- Existing Clients with expanding needs

- Local Projects
  - Transaction Size above ordinary limits for your bank
  - Major contributors to the local economy

- For profits and nonprofits

- NMTC deal size: $5MM and up, typically
Finding CDEs with Allocations

QEI Investment Report

The CDFI Fund is pleased to be able to make available on its website the New Markets Tax Credit (NMTC) Qualified Equity Investment (QEI) Issuance Report (Report). The Report provides information on each entity that has not finalized all of its NMTC allocations, and it identifies, among other things, the total allocation amount received by each entity; the dollar amount of allocation authority that has been issued to investors; the amount remaining to be issued to investors; and the predominant markets to be served by each entity. The Report does not include information on entities that have received NMTC allocations but already finalized their entire allocation.

Users may download this Report and use either the Find toolbar or the Search PDF window to locate a word, series of words, or partial word in the PDF document. Users may also find it useful to cross-reference this Report with the CDFI Fund's States Served map and reports. The States Served map and reports allow users to quickly identify Allocatees serving particular geographic areas of interest that users can then look-up in the QEI Issuance Report that lists Allocatees in alphabetical order.

The CDFI Fund, on a monthly basis, will update the QEI Issuance Report based on information reported by Allocatees. Annually, after the CDFI Fund completes its competitive review process and successful applicants are selected, the CDFI Fund will add those organizations selected to receive allocations of NMTCs to the Report.

NOTES: Allocatee information reflects the most current information on file with the CDFI Fund as of the date reflected on the QEI Issuance Report. An Allocatee that appears with an Amount Remaining may have internally reserved all or a portion of its remaining QEI amount to fund an investment that has not yet closed. Please contact the Allocatee-identified Contact Person to obtain up-to-date information.

Summary by Round

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Allocation</th>
<th>Amount Finalized</th>
<th>Amount Remaining</th>
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<tbody>
<tr>
<td>Round 1 (2001-2002)</td>
<td>$2,485,699,042.00</td>
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<td>Round 2 (2003-2004)</td>
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<td>Round 5 (2007)</td>
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<td>Round 6 (2008)</td>
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<td>Round 7 (2009)</td>
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<td>Round 8 (2010)</td>
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<td>Round 9 (2011)</td>
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<td>Round 10 (2012)</td>
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Awardee Profile Details

- **National Community Investment Fund**
  Chicago, IL
  Contact Information: Saurabh Narain
  Phone: (312) 881-5826 E-mail: snarain@ncif.org

**Organizational Profile:** National Community Investment Fund (NCIF) is a certified CDFI established in 1995. NCIF invests equity and debt in community development banking institutions (CDBIs). NCIF also provides development services addressing the needs of CDBIs. NCIF will use its FY 2013 Financial Assistance award to increase lending and to capitalize a new small business lending initiative.

- **NMTC 2012 Award/Allocation Amount:** $45,000,000
- **Controlling Entity:** the name of the controlling entity, if there is one, has not been provided.
- **Service Area: Type:** National Predominant states served: CA, IL, KS, KY, MI, NJ, WA
- **Percent urban & rural:** Major urban: 55 Minor urban: 35 Rural: 10
- **Product Type:** There are no product types for this award.

**Profile:** National Community Investment Fund (NCIF) will use its 2012 NMTC allocation to invest in high impact non-profit and mixed-use transactions that create jobs and revitalize economically distressed communities. NCIF’s NMTC business strategy involves partnering in each NMTC transaction with a CDFI/mission-oriented bank that is a low-income community and/or financial institution, thus fostering long-term permanent benefits to the local community. The CDE intends to offer equity equivalent terms and conditions, senior debt, and/or subordinated debt.

**Other Awards:** FA 2013, FA 2012, FA 2010, FA 2009
NCIF is creating a pilot small business loan fund to promote small business lending in minority and low- and moderate income communities, nationally.

**Eligible Transactions:**
- Available to **Nonprofit and For Profit Businesses operating in Low Income Communities** (except for Excluded Businesses) who create **JOBS** and/or significant community development **IMPACT**
- Borrower Types -Community facilities, child care providers, Health centers (FQHCs), franchisees, manufacturing companies, professional services providers, neighborhood community centers
- Use of Proceeds -acquisition or improvement, fixed asset acquisition, business acquisition, permanent working capital
- Targeted Deal Size: **$1-3MM**
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- **Workshop Summary and Conclusion** – *Vickie Battle*
Contacts

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