

NMTC WORKSHOP

October 21, 2016



NEW JERSEY
COMMUNITY
CAPITAL



Bank

America's Most Convenient Bank®

Housing and
Community
Development



Network of New Jersey

AGENDA

11:45-11:55 Introductions

- **Our Agenda**
- **Our Panelists:**
 - Daniel Arndt, New Jersey Community Capital
 - Phyllis Reich & Tadessech Lewis, TD Bank
 - Jerry Velasquez, Cumberland County Improvement Authority
 - Damien Wilson, Moderator, Monge Capital

11:55-12:15 What is the NMTC Program?

- **Program background**
- **What are the acronyms; LIC; QALICB; QLICI; QEI ?**
- **What is a Community Development Entity (CDE)?**
- **What is the role of investor/lender?**

12:15-12:35 How does NMTC Work?

- **Project Readiness- how do you know you have the "right stuff" ?**
- **The model and how funds move through the NMTC transaction**
- **What are the ongoing reporting requirements?**

12:35-12:45 Case Study

- **The Millville Arts and Business Innovation Center, Millville, NJ**

12:45-1:00 Questions and answers

New Jersey Community Capital (NJCC)



ABOUT NJCC

We are a 28-year-old CDFI that transforms at-risk communities through strategic investments of capital and knowledge.

OUR COMPREHENSIVE TOOLKIT

COMMUNITY
LENDING

REAL ESTATE
DEVELOPMENT

NEW MARKETS
TAX CREDITS

MORTGAGE
PURCHASE
(*& LOSS MITIGATION*)

POLICY &
TECHNICAL
ASSISTANCE

MORTGAGE
PLATFORM

OUR IMPACT

■ Last 5 Yrs ■ Since Inception



New Jersey Community Capital (NJCC)

New Market Tax Credits

PRIVATE CAPITAL FOR CATALYTIC COMMUNITY PROJECTS

- Attract private capital for economic development in underserved areas
- Provide job creation, educational options, and economic opportunities in New Jersey's at-risk communities
- Awarded 4 NMTC allocations totaling \$130 MM
- All NMTCs deployed in New Jersey
- Coupled with NJCC traditional debt products



18
HIGH-IMPACT PROJECTS
FINANCED



98 MILLION
IN NMTCs INVESTED
IN UNDERSERVED
COMMUNITIES



403 MILLION
IN CAPITAL
LEVERAGED



1,738
EDUCATION SEATS



4,900
JOBS CREATED
(DIRECT, INDIRECT, INDUCED)



1.4 MILLION
S.F. REAL ESTATE
DEVELOPED

New Jersey Community Capital (NJCC)

Case Study: Accurate Box

THIRD GENERATION WOMAN-OWNED MANUFACTURER OF HIGH GRAPHIC LITHO-LAMINATED CORRUGATED BOXES

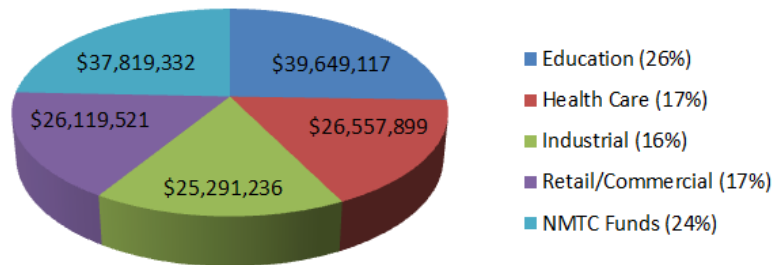
- Second-largest employer in Paterson
- Low-income community hiring: 66% employees live in low-income communities, 48% employees live in Paterson, 80% employees are minorities
- Total project size: \$27 MM
- \$7 MM NMTC allocation to finance construction of a new 200,000 SF manufacturing facility
- Environmental sustainability: remediation, stormwater retention, green building
- 250 existing jobs + 50 new full-time & 170 construction jobs (all jobs w/ competitive wages & benefits)



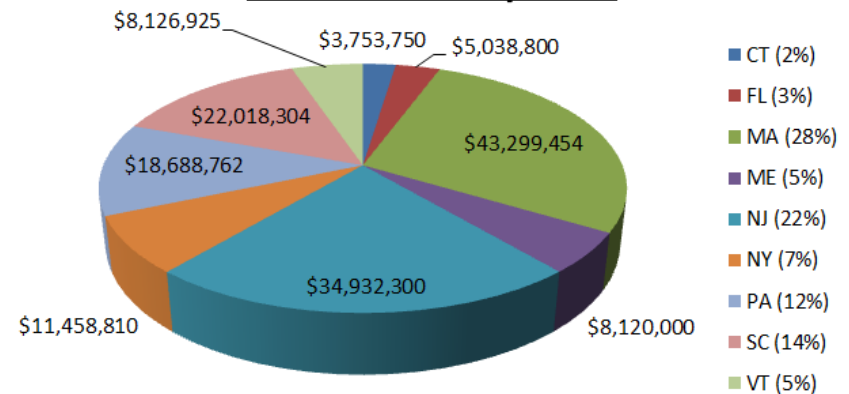
TD Bank

NMTC Portfolio

Commitment By Type



Commitment By State



- TD Bank has invested over \$155 million in 37 transactions leveraging over \$350 million in total investments in nine states.
- In addition, TD Bank Community Development Corporation (TDCDC) has received four NMTC allocations totaling \$325 million resulting in more than 25 projects financed in Florida and the Carolinas.

Monge Capital

The Monge Capital Advantage Overview

- Monge Capital (MC) is a minority owned and operated firm focused on providing advisory services and capital solutions for operating businesses and real estate projects with a focus on public/private partnerships. MC advisory service clients include equity investors, developers, retailers, operating businesses, banks, governmental agencies, and not-for-profit institutions.
- MC leverages its economic development and private equity experience with a strong knowledge of urban development and real estate finance to maximize results for clients. MC has extensive expertise in direct equity investing and the usage of a variety of City, State and Federal financing programs including a niche focus on New Markets Tax Credit (NMTC) and Historic Tax Credit financing as well as a vast knowledge of NJEDA products.
- MC has closed on over \$900 million of complex projects with public and private financing.
- Jeff Monge, an NMTC industry veteran, led one of the largest NMTC allocatees in the country winning 4 of 5 rounds totally \$198 million in NMTC allocations and closing over \$350 million of leveraged transactions.

What is the NMTC Program?

Background

- NMTC program was first authorized in 2000 to stimulate commercial investment in qualified low-income, rural, and native communities.
- Since 2002, the CDFI Fund through a competitive application process awards NMTC allocation authority to CDEs.
- CDEs are able to attract capital investments with their allocation, and the proceeds are used to fund low interest rate loans or investments in qualifying businesses or commercial real estate developments

What is the NMTC Program?

Low Income Communities

- Based on census tract data: poverty rate, area median income and unemployment (mapping tool www.cdfifund.gov)
- Other criteria apply

Benefits

- Investments made in businesses or economic development projects generate a federal tax credit equal to 39% of the total investment.
- Recipient:
 - Capital to fund projects, business expansion or debt refinancing. Tax credits are monetized to fund a portion of the capital stack
 - Low cost of capital and “permanent equity”
- Community Benefits
 - Create economic development for the local community
 - Attract and retain skilled workforce
 - Bring new goods or services to underserved communities
 - Catalytic impact

What Are the Acronyms?

- Community Development Entities must use...
- Substantially All of the proceeds from...
- Qualified Equity Investments to make...
- Qualified Low-Income Community Investments in...
- Qualified Active Low-Income Community Businesses located in...
- Low-Income Communities...

What Are the Acronyms?

- CDEs must use...
- Substantially All of the proceeds from...
- QEIs to make...
- QLICs in...
- QALICBs located in...
- LICs...

What is a CDE?

- Community Development Entities (CDEs) have a primary mission of providing investment capital for low-income communities and are accountable to the residents of that community through a governing or advisory board
- CDEs are the recipients of the NMTCs, have defined geographic areas, evaluate potential NMTC transaction and review community impact.
- CDEs can be found using a search engine on the CDFI Fund website at www.cdfifund.gov
- CDEs issue QLICI loans to the project QALICB, and post closing, manage compliance and loan servicing

Organizations that have been certified as CDFIs by the CDFI Fund and organizations that have been designated as Specialized Small Business Investment Companies by the Small Business Administration automatically qualify as CDEs.

What Is the Role of Investor/Lender?

Banks can participate in the NMTC program as investors or lenders (or both).

The NMTC program is an important tool in helping meet customer needs.

- more flexible loan terms for borrowers.
- a portion of equity stays in the project after the 7 year compliance period

The NMTC program helps banks meet their financial goals.

- competitive returns on equity investments.
- leveraged lenders earn rates at or near market and are able to participate in transactions that would not be feasible without the NMTC subsidy.

The NMTC program can help banks meet their CRA (Community Reinvestment Act) requirements. NMTC investments enable banks to target investments in projects that generate social impact outcomes such as job creation; services such as health care or education; and support other positive activities in low income communities.

Project Readiness

How Do You Know You Have the "Right Stuff"?

NMTC Project Readiness – The 4 Ps

- **Professionals , Proposals, Projections, Property**

Professionals:

- Selecting Counsel
- Accounting (financial modeling and project projections)
- Project/NMTC Consultants
- CDEs

Project Readiness

How Do You Know You Have the "Right Stuff"?

NMTC Project Readiness – The 4 Ps

- **Proposals**

Leverage Lenders

- Have they financed a NMTC project before?
- Commitment Letters/Letters of Interest

Soft loan/Grant Sources

- Commitment Letters
- If public source-evidence that funds can be used with NMTC program
- Bridge financing needed, if so is a lender identified/committed?
- When are funds available to be used and what is needed to draw down funds

"But for" test

Project Readiness

How Do You Know You Have the "Right Stuff"?

NMTC Project Readiness – The 4 Ps

Projections

Project Assumptions

- Market Study/Analysis
- LOIs-Signed Leases?

Project pro forma

- Projections demonstrating cash flow; debt service coverage.
- Collateral Available?
- Loan to value ratio?

Developer's Experience

- Project Sponsor's track record and financial capacity
- Guarantors financial capacity

Project Readiness

How Do You Know You Have the "Right Stuff"?

NMTC Project Readiness – The 4 Ps

Property Location

- Eligibility (Census Tract & Use)
- Agreement of Sale –Not expired
- Evidence of Site Control

Zoning, Project Approvals

- evidence of all zoning approvals
- Community Support

Environmental

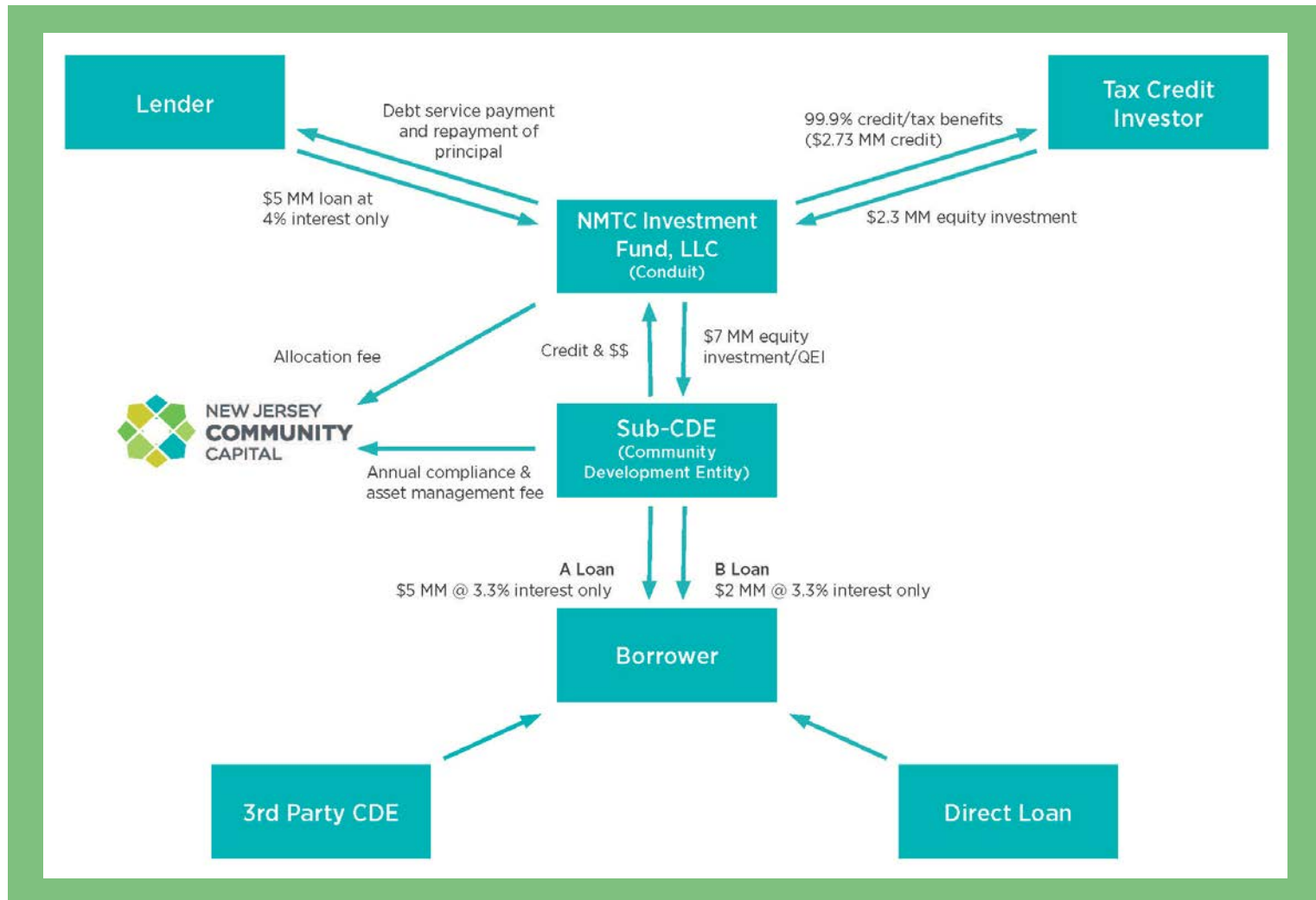
- Phase I and or Phase II in place? How old are the reports?

Contract/ Plan

- General Contractor and Architect on board?
- Construction Documents

Following the Movement of Funds

Sample Flow Chart



Post-Closing

Reporting on Community Benefits and Impact

7 year reporting requirement
Community Benefits Agreement

CDFI Fund looks for:

- Jobs
- Commercial Goods and Services
- Community Goods and Services
- Flexible Lease Rates
- Housing Units
- Minority Business Support
- Environmentally Sustainable Features
- Healthy Food Financing
- Community Transformation
- Local Community Support

Case Study

Millville Arts & Business Innovation Center (Millville, NJ)



Case Study

Millville Arts & Business Innovation Center (Millville, NJ)
Aerial Map



Case Study

Millville Arts & Business Innovation Center (Millville, NJ)
Before Photo



Case Study

Millville Arts & Business Innovation Center (Millville, NJ)
Construction Photo



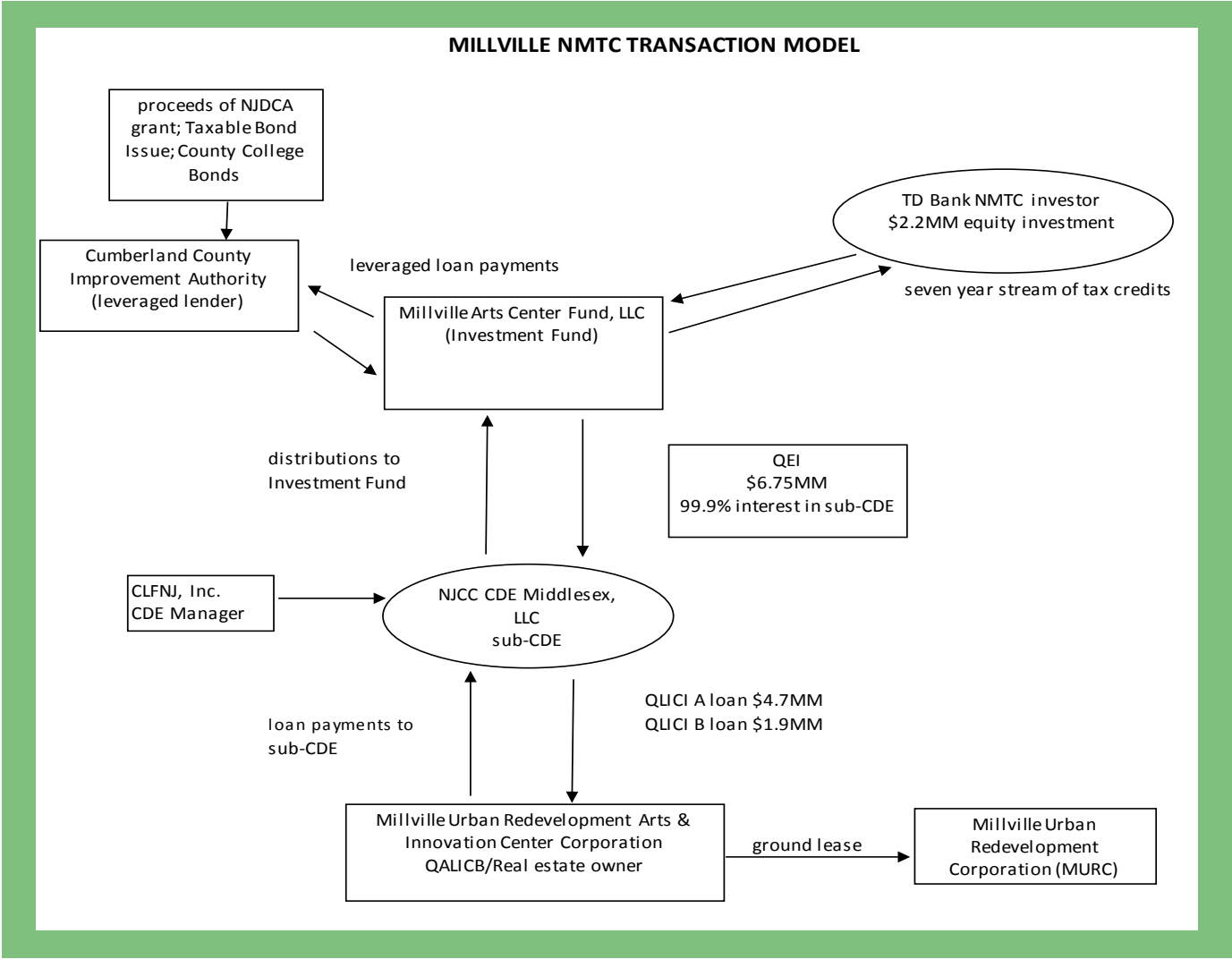
Case Study

Millville Arts & Business Innovation Center (Millville, NJ)
Project Budget

| <u>Sources</u> | | <u>Uses</u> | |
|----------------------|--------------------|---------------------------------------|--------------------|
| | | Land | \$ 439,709 |
| 481 Corp Equity | \$2,237,625 | Construction Costs | \$4,767,200 |
| CCIA Leveraged Loan | \$4,784,375 | Soft Costs | \$1,208,699 |
| | | Construction period QLICI interest | \$166,146 |
| | | Financing fees and NMTC reserves | \$440,246 |
| Total Sources | \$7,022,000 | Total Uses | \$7,022,000 |

Case Study

Millville Arts & Business Innovation Center (Millville, NJ) Project Flow Chart



Q&A

Thanks For Attending



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