

2008 National Interagency Community Reinvestment Conference



Introduction to Advanced Community Development Investments

Wells Fargo Community Development Corporation

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Today's Discussion - Advanced CD Investments

- New Markets Tax Credits
- Community Development Venture Capital
- Historic Tax Credits
- Renewable Energy Tax Credits

New Markets Tax Credits

Overview

- A program of the US Treasury and CDFI Fund, enacted by Congress as part of the Community Renewal Tax Relief Act of 2000
- Intended to stimulate investment in businesses and commercial property in low-income communities
- \$16B of allocations have been awarded in 5 rounds:
 - 1st Round allocations totaling \$2.5B announced in May 2003.
 - 2nd Round allocations totaling \$3.5B announced in May 2004.
 - 3rd Round allocations totaling \$2B announced in May 2005
 - 4th Round allocations totaling \$4.1B announced in June 2006.
 - 5th Round allocations totaling \$3.9B announced in October 2007.



New Markets Tax Credits Overview

- Investors earn tax credits over 7 years totaling 39% of the total Qualified Equity Investment.
- Structures:
 - Leveraged
 - Non-Leveraged



New Markets Tax Credits

Examples - QALICBs

- Grocery store.
- Movie theater operator.
- Community center.
- Schools.
- Business incubator.
- Office building.



Example: Community Facility

Purpose: Construction of a 50-room shelter for victims of domestic violence located in a rural community.

Project/Sponsor: Turning Pointe Domestic Violence Shelter

NMTC CDE: ShoreBank Enterprise Cascadia

Property Type: Community Facility

Commitment:

- \$4.6MM leveraged NMTC transaction involving funds from the State of Washington, Mason County, the Federal Home Loan Bank, and the Gates Foundation among others.

Your daughter

What does a battered woman look like?

Your sister

Your mother

Your neighbor

Straight Talk on Domestic Violence

Turning Pointe
DOMESTIC VIOLENCE SERVICES

Photos by Vera Anderson from her book "A Woman Like You: The Face of Domestic Violence"

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Example: Community Facility

Community Impact:

- Shelter for domestic violence victims
- Expanded services to low and moderate income families

Key Points:

- NMTC financing resulted in a \$1.6 million subsidy to the project.
- Borrower leveraged the NMTC structure by using grant dollars received from various sources.
- NMTC financing allowed for bridge financing to bridge the shelter's capital campaign.
- Investment easily passed the "But For" test



Example: Grocery Co-op

Project/Sponsor: Seward Co-op Grocery & Deli

NMTC CDE: Midwest Minnesota CDC

Property Type: Grocery

Commitment:

- \$9.2 million NMTC investment

Community Impact:

- Completion of the structure replaced 3 vacant, derelict buildings and a vacant lot whose blighted conditions had been detrimental to investment.
- Bringing healthy food to a low-income community and supporting community ownership.

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Located in the heart of downtown Salinas, adjacent to the recently completed National Steinbeck Center, Maya Old Town Cinemas is a minority-owned multiplex movie theater. The 54,900 square feet theatre features 2,910 seats configured with stadium seating and state-of-the-art projection and sound technology.

Example: Maya Cinemas

Project/Sponsor: Maya Salinas Old Town Cinema, LLC.

NMTC CDE: Clearinghouse CDFI

Property Type: Downtown movie theater

Wells Fargo's Commitment:

- \$18.2 million leveraged NMTC debt & equity investment.

Community Impact:

- The theater has replaced several vacant and derelict buildings and lots.
- Project has lead to the revitalization of downtown Salinas.
- Sponsor is a civic-minded minority-owned enterprise that hires locally and provides scholarships for college bound teenagers.

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Community Development Venture Capital

- Ownership interests in private equity pools for both small business funds and real estate focused community development funds.
 - Real Estate
 - Redevelopment Oriented
 - Affordable/ “Workforce” Housing
 - Small Business
 - Small Business Investment Companies
 - Community Development Venture Capital

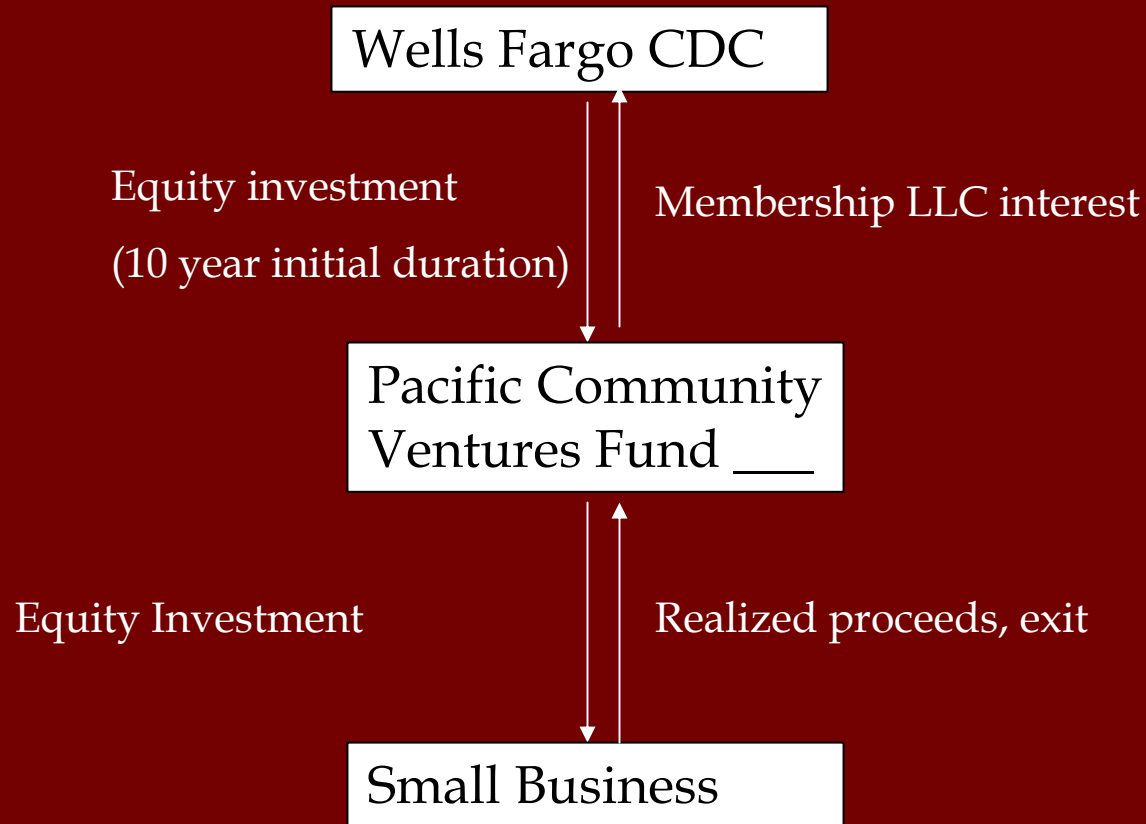




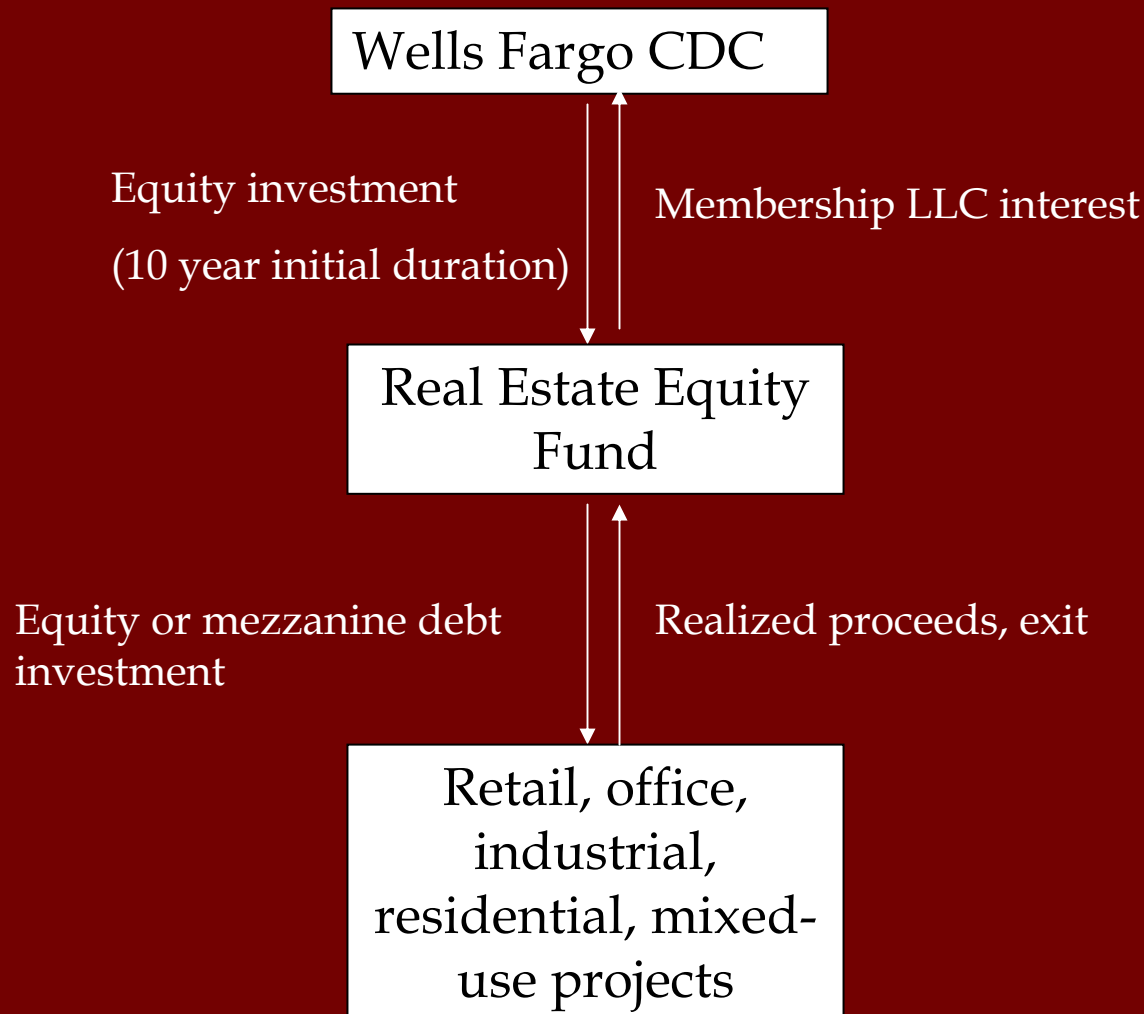
Example: Pacific Community Ventures

- PCV fuels economic growth in low-income California communities by investing financial and human capital in small businesses.
- Double bottom line investing:
 - Economic
 - Social
- WFCDC has made two investments in PCV-sponsored funds.
- Community Impacts: job creation, living wages, equity/wealth sharing programs, health benefits, skill development.

Example: Pacific Community Ventures



Example: Real Estate Equity Fund





Historic Tax Credits

- Through the Internal Revenue Code Section 47, the federal government offers rehabilitation tax credits to encourage preservation and adaptive reuse of historic and old buildings.
- The federal tax credit is a dollar-for-dollar reduction of federal income tax liability.
- Historic Tax Credits are based on 20% of qualified costs as reported by a qualified CPA for historic buildings or 10% of qualified costs for non-historic, non-residential buildings built before 1936.
- Tax credits earned over 5 years.
- Uses: office, retail, mixed-use, hotels, entertainment/theater, community facilities.

Example – Chambers Hotel



- Historic renovation and adaptive re-use of two adjoining buildings into a 60-key boutique hotel with two restaurants in downtown Minneapolis, Minnesota.
- WF CDC's involvement in the project will also help to stimulate private sector investment and job creation in a blighted and distressed area.

Renewable Tax Credits

- Nation's second largest purchaser of renewable energy.
- Particularly active in wind & energy through both environmental funds as well as renewable energy certificates.
- Currently in discussions with partners regarding opportunities to work on NMTC and Renewable Tax Credits concurrently.



Today's Discussion



- ✓ New Markets Tax Credits
- ✓ Community Development Venture Capital
- ✓ Historic Tax Credits
- ✓ Renewable Energy Tax Credits





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