

Northern California Community Loan Fund

Working Together, Building Communities



Creating Opportunities for People with Disabilities: What can CDFI's do?

***Federal Reserve Roundtable Presentation:
Housing Opportunities for People with Disabilities***

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What is a Community Development Financial Institution (CDFI)?

- Usually a **nonprofit org** – 800-1,000 in U.S. at local, regional & national levels
- **Most are not regulated depository institutions**; CDFI Fund within US Department of Treasury certifies them.
- Primary Sources of **Capital**: Capital borrowed from individual and institutional investors to provide flexible loans at affordable rates and terms.
- Primary **Borrowers**: Nonprofit housing developers, service providers, and small businesses in economically distressed urban and rural communities
- Some CDFIs focus on business lending, some on housing or community facilities. Others provide basic financial and credit services to low-income individuals.
- **All are mission-driven.** Common goals: alleviate poverty; increase access to capital.

CDFI Profile: NCCLF at a glance

- **“CDFI”** -- Community Development Financial Institution certified by U.S. Treasury Department and State of California
- **Nonprofit** – 501(c)3 started in 1987 by individuals committed to making direct, socially-responsible investments to revitalize low-income communities
- **Intermediary** – We provide flexible, affordable credit to nonprofits via \$30 million revolving loan fund, using investments from banks, foundations, religious communities & individuals
- **Community Development Lender** – We make loans to finance community facilities, affordable housing, and health and human services for low-income communities across 46 counties of Northern California

CDFI Profile: NCCLF at a glance

- **Financial Expertise:** innovative “**Fiscal Fitness**” technical assistance program to build nonprofit sector’s financial management capacity
- **Facility Expertise** – customized “**Facility Fitness**” consultations to help nonprofits successfully manage real estate and capital projects
- **Collaborative Expertise** – We manage special funds providing capital and planning grants, loans and technical assistance in partnership with government, foundations and other CDFI’s
- **Successful track record** -- \$53.5 million in loans committed for 211 community development projects... less than 0.003% **losses to date**

What can CDFIs do to help create housing opportunities for people with disabilities?

- Will finance early stage projects, “riskier”
- Common deals: predevelopment expenses, land acquisition, construction gap financing
- Flexible terms
- Willing to subordinate
- Broad definition of collateral – creativity!
- Fixed rates common; lower rates (risk)
- TA from specialists with nonprofit know-how
- Access to other partners, sources
 - Participations.
 - New Markets Tax Credit financing, bond financing, etc

CDFI Financing Supports a Variety of Needs

- Property Acquisition
- Land Acquisition
- Predevelopment
- Site development
- Unit construction
- Rehabilitation
- Mini-permanent
- Working capital
- Line of Credit
- Gap financing
- Bridge financing
- Subordinate financing



What do CDFIs mean by flexible terms?

Interest only payments

Longer amortization schedules

- 5-year terms, 15-20 year amortization with balloon payment
- 80+% of portfolio

Loan-to-Value ratios:

- Up to 90%; 100% on case-by-case basis
- 20% of current portfolio = 91 – 100% LTV

Debt Service Coverage Ratios:

- 1.05 standard
- 1.00 on case-by-case basis

Collateral, CDFI-style

- Real estate, when possible
- Subordination to conventional lenders
- Certificate of deposit
- Irrevocable letter of credit
- Assignment of leasehold interest
- Assignment of future revenue
- Loan guarantee
- Other sources considered – developer fee pledge, capital campaign, ???

Bank-CDFI Partnership Opportunities



- **Joint Lending** – NCCLF can provide subordinate financing to banks' senior debt – Up to 100% LTV
- **Loan Participations** – Co-lending with a shared lien position – offers banks reduced exposure
- **Loan Participations** – Co-lending utilizing a loan guarantee – Strong secondary source of repayment

A typical NCCLF Supportive Housing loan -- a home for developmentally disabled youth

- Borrower: Exodus, Inc.
- Project: Sandy Cove House
- Location: Rodeo, Contra Costa County
- Loan Amount: \$32,000
- Purpose: Acquisition
- Impact: NCCLF's subordinated loan was used in conjunction with a \$202,475 loan from Union Bank of California to purchase a house to serve as a home for 3-4 youth with severe developmental disabilities. Purchasing the property allowed Exodus to fix occupancy costs and ensure stability for its clients.



A Typical NCCLF Facility Loan

Subordinate Financing Facility for services to people with disabilities

- Borrower: **Becoming Independent**
- Project: 23,000 SF Office/Light Industrial Acquisition
- Purpose: **Fund a portion of the acquisition of office and program space** for an organization that provides a broad variety of vocational, instructional and support services to adults with developmental disabilities
- Location: Santa Rosa, Sonoma County
- First Mortgage: **\$2,538,502**, Bank of the Redwoods
- NCCLF Subordinate Mortgage: **\$507,700**



A Typical Facilities Loan for A Direct Services Provider

NCCLF has a long-standing relationship with [Baker Places](#) and has provided the organization with numerous financial products, including:

- Line of Credit to manage cash flow
- Working capital
- Acquisition financing for residential treatment facilities
- Acquisition financing for office space
- Acquisition financing for permanent supportive housing



A typical NCCLF Affordable Housing Loan

Affordable Housing and services

- Borrower: [Satellite Housing, Inc](#)
- Lead Lender: LISC
- Project: [University Senior Housing](#)
- Location: Berkeley, Alameda County
- Total Loan Amount: \$2,300,000
- NCCLF Participation: \$530,000
- Purpose: [Acquisition and Predevelopment](#)
- Impact: 80 units of affordable, accessible senior housing with 10K sq ft. of office space



What More Should We Be Doing?

- Financing for accessible and affordable housing (and supportive services) is still quite limited
- **Universal accessibility/usability** is the ultimate goal
- The need goes beyond traditional large facility/group home model
- New financing options for **home ownership** needed
- Coop model?
- Collaborative lending
- Financing for accessibility modifications “in place”
- Land banking? – **current market opportunities**

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