



Community Development Financial Institutions (CDFI) Fund

*Leveraging Federal Resources for Community
Development: Greg Bischak, CDFI Fund,
2010 National Interagency Community Reinvestment
Conference, New Orleans, March 16, 2010*





Presentation Agenda

- CDFI Fund Overview of Programs
- CDFI Program Overview
 - Case Study of Fresh Foods Initiative
- New Markets Tax Credit Overview
- Questions and Answers



CDFI Fund Overview

The mission of the CDFI Fund is to expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and communities in the United States.





CDFI Fund Overview

Mission is achieved by investing in/supporting:

CDFIs, CDEs, and **other financial institutions** through the following programs and initiatives:

- **Certification Programs (CDFI and CDE)**
- **CDFI Programs (FA and TA)**
- **Bank Enterprise Award (BEA) Program**
- **New Markets Tax Credit (NMTC) Program**
- **Native Initiatives (NACA)**
- **Capital Magnet Fund (CMF) (New)**
- **Financial Education and Counseling Pilot (New)**



	CDFI Program	Native Initiatives	BEA Program	NMTC Program
Authorized	1994	2001	1991	2000
Total Awarded	\$769 million	\$47.5 million	\$311 million	\$26 billion
Award Type	Grants, loans, equity investments, deposits, and credit union shares	Grants, loans, equity investments, deposits, and credit union shares	Grants	Tax credits
Recipients	-Certified CDFIs -Entities proposing to be Certified CDFIs or serve Native communities	-Certified CDFIs -Entities proposing to be Certified CDFIs or serve Native communities	-FDIC-Insured banks and thrifts	-Certified CDEs
Qualifying Tracts	27,275 tracts qualify 41% of all tracts 22,360 metro tracts 4,915 non-metro tract	27,275 tracts qualify 41% of all tracts 22,360 metro tracts 4,915 non-metro tract	2,651 tracts qualify 4% of all tracts 1,843 metro tracts 808 non-metro tracts	26,018 tracts qualify 39.3% of all tracts 19,511 metro tracts 6,507 non-metro tracts



Overview of CDFI Program

- ❖ CDFIs can and do provide responsible and affordable financing products and services to low-income communities
- ❖ CDFIs are mission driven organizations working in communities with challenging economic circumstances
 - ❖ *As of December 31, 2009, there were 834 certified CDFIs*



What are CDFIs?

- CDFIs operate in a variety of organizational forms to meet the needs of the “under-banked” and “unbanked” in their markets. CDFIs include the following types of organizations:
 - Insured Banks and Thrifts
 - Bank Holding Companies
 - Credit Unions
 - Housing, Business & Micro Loan Funds
 - Community Development Venture Capital Funds



CDFI Fund – Use of Funds

Financial Assistance awards eligible uses include:

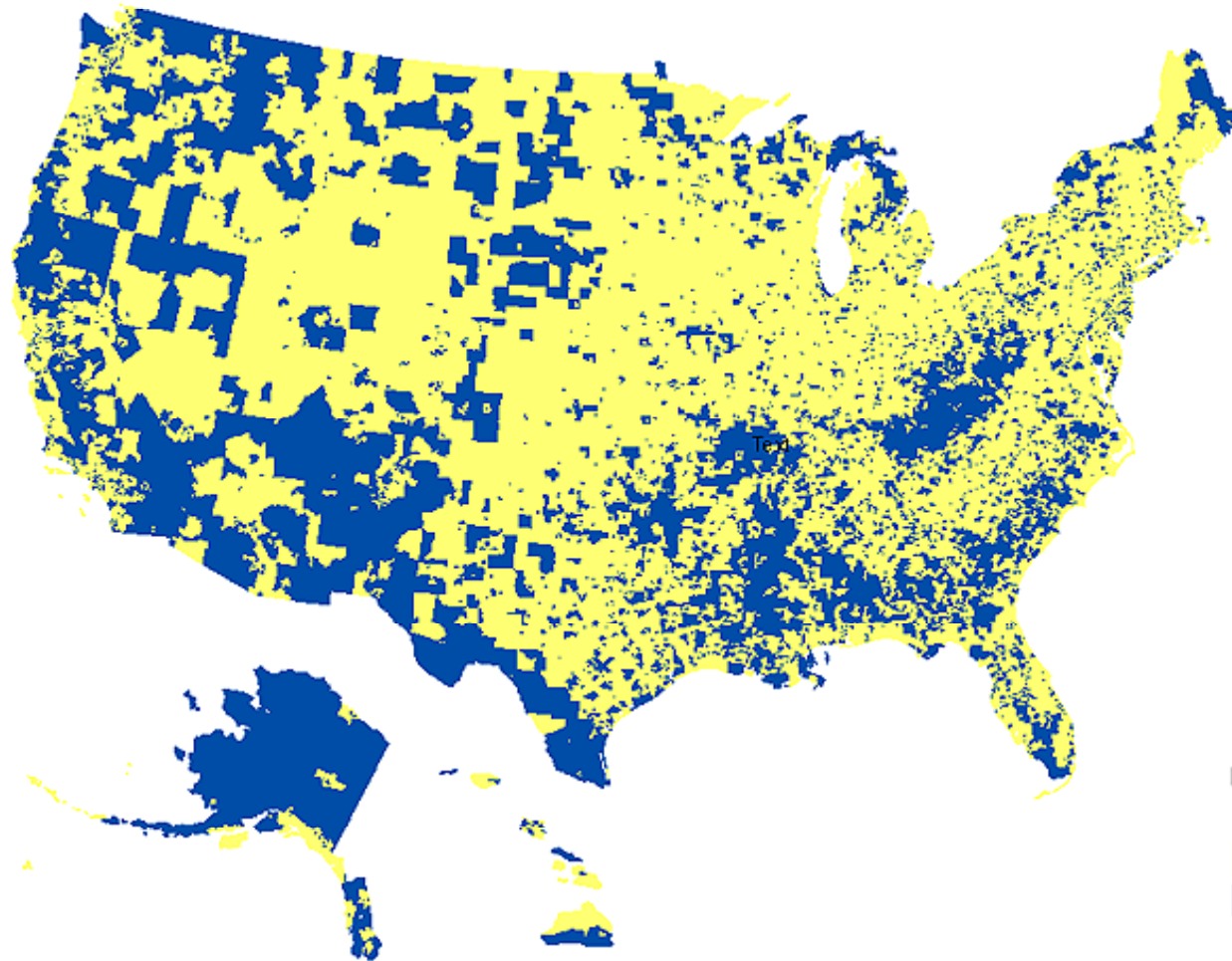
- 1) Financing Capital;
- 2) Loan Loss Reserves;
- 3) Capital Reserves and
- 4) Operations

Technical Assistance Awards

- 1) Personnel (Salary and Fringe Benefits);
- 2) Training;
- 3) Travel;
- 4) Professional Services;
- 5) Materials/Supplies;
- 6) Equipment and Other Capital Expenditures; and
- 7) Other Service Delivery-Related Costs



Where are Qualified CDFI Program Investment Areas?



Number of Census Tracts
in parentheses

- Not Qualified (41,639)
- Qualified (24,795)

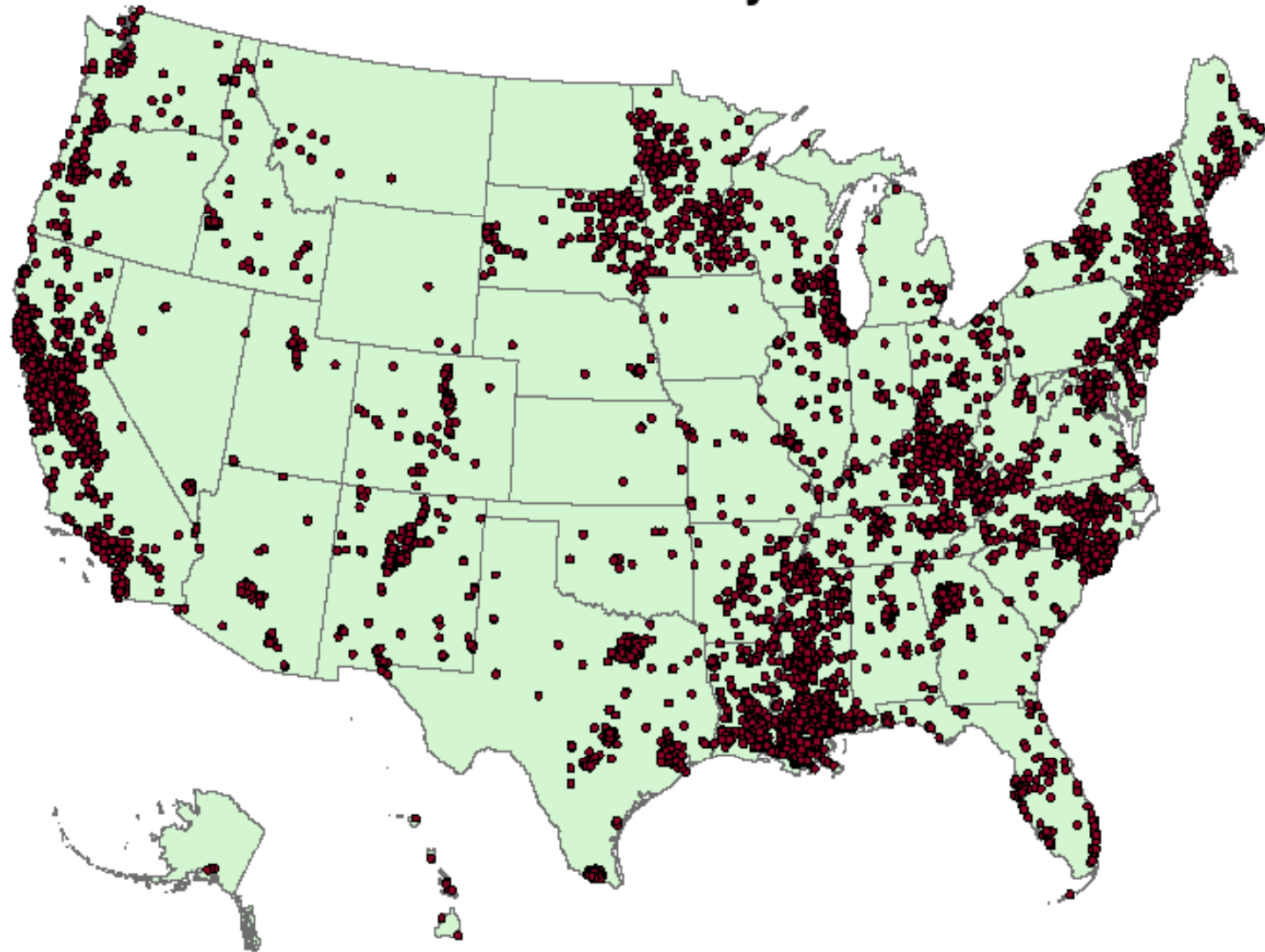


Certified CDFIs and their headquarter locations





Loans and Investments by CDFIs 2003-2008



Source: Community Investment Impact System, CDFI Fund, July, 2009



The Reinvestment Fund (TRF) Philadelphia PA Fresh Food Financing Initiative

- ❖ **Designed to increase number of high quality grocery stores in underserved low and moderate income areas**
- ❖ **Committed \$63.3 million in grants and loans to 68 stores across Pennsylvania**
- ❖ **Example: ShopRite, Eastwick Philadelphia, PA**
 - Provides fresh and affordable food & jobs to local residents (many with attractive employee benefits)
 - Opened with \$250,000 in grant funding from FFI & a loan from TRF's New Markets Tax Credits





Overview of the NMTC Program

- Enacted on December 21, 2000.
- Part of the Community Renewal Tax Relief Act of 2000.
- Provides a credit against Federal income taxes for investors that make Qualified Equity Investments (QEIs) into Community Development Entities (CDEs).
- CDEs in turn use the proceeds of these investments to make Qualified Low-Income Community Investments (QLICIs).
- QLICIs include, among other things, investments in businesses and real estate projects in low-income communities.



Credit Amount

- The credit is taken over a 7-year period
- The credit rate is:
 - 5% of the original investment amount in each of the first three years
 - 6% of the original investment amount in each of the final four years
- Equals 39% of amount of original investment



Timing of Investments

- CDEs must offer NMTCs to investors within **5 years** of receiving an allocation.
- CDEs have **12 months** to invest their QEI proceeds into Qualified Low-Income Community Investments (QLICIs).
- Generally, CDEs that receive returns of capital will have **12 months to reinvest** those funds in QLICIs.
 - Reinvestment is not required in the final year of the 7-year credit period.



Qualified Low-Income Community Investments (QLICIs)

- **Eligible Investments (QLICIs):**
- Any capital or equity investment in, or loan to, any “Qualified Active Low-Income Community Business” (QALICB)
- Purchase of a loan from another CDE if the loan is a QLICI
- “Financial Counseling and Other Services” (FCOS) to businesses located in, or residents of, LICs
- Any equity investment in, or loan to, any CDE

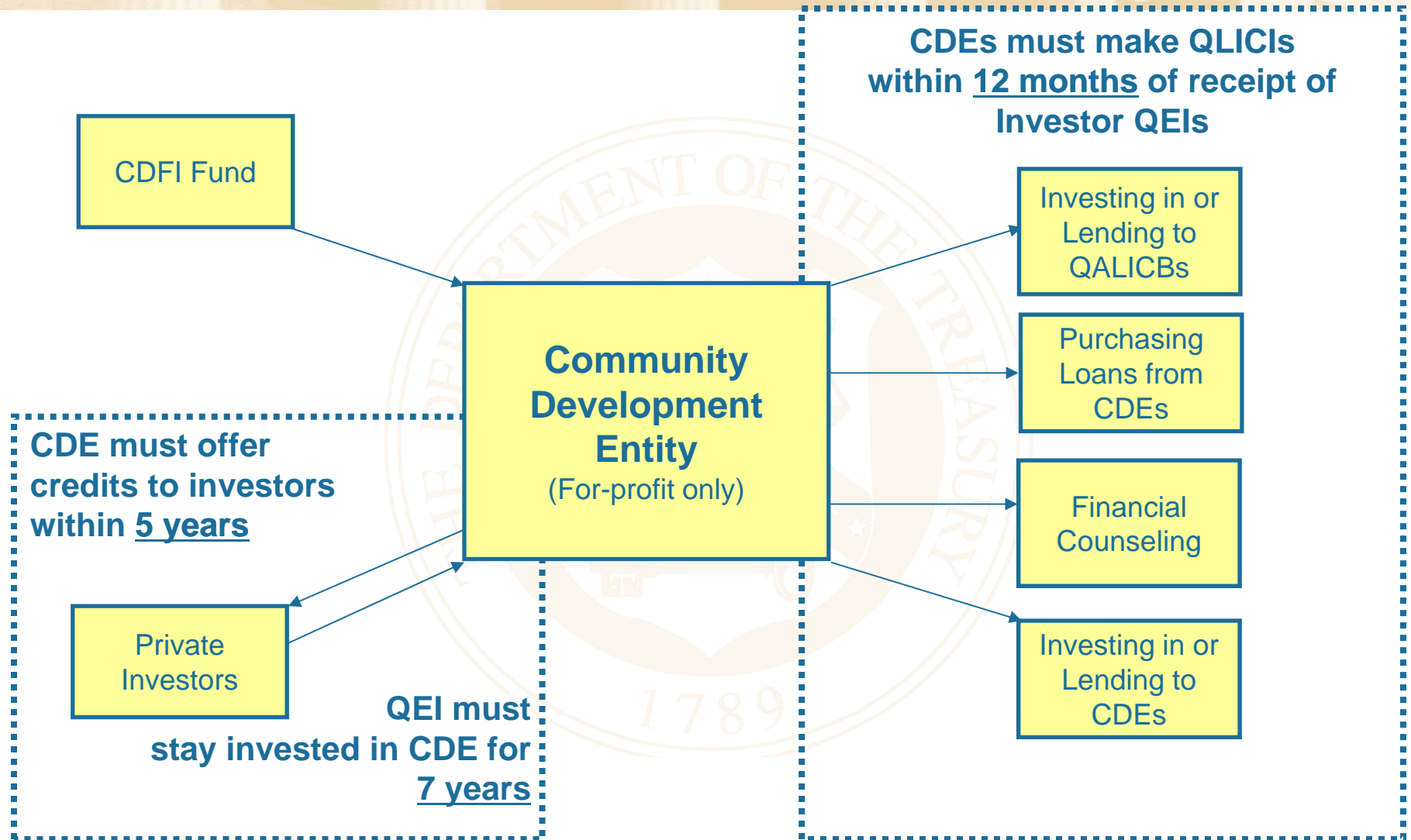


Qualified Active Low-Income Community Business (QALICB)

- **What is a typical QALICB?**
 - An operating business located in a LIC.
 - A business that develops or rehabilitates commercial, industrial, retail and mixed-use real estate projects in a LIC.
 - A business that develops or rehabilitates community facilities, such as charter schools or health care centers, in a LIC.
 - A business that develops or rehabilitates for-sale housing units located in LICs.



Summary Graphic



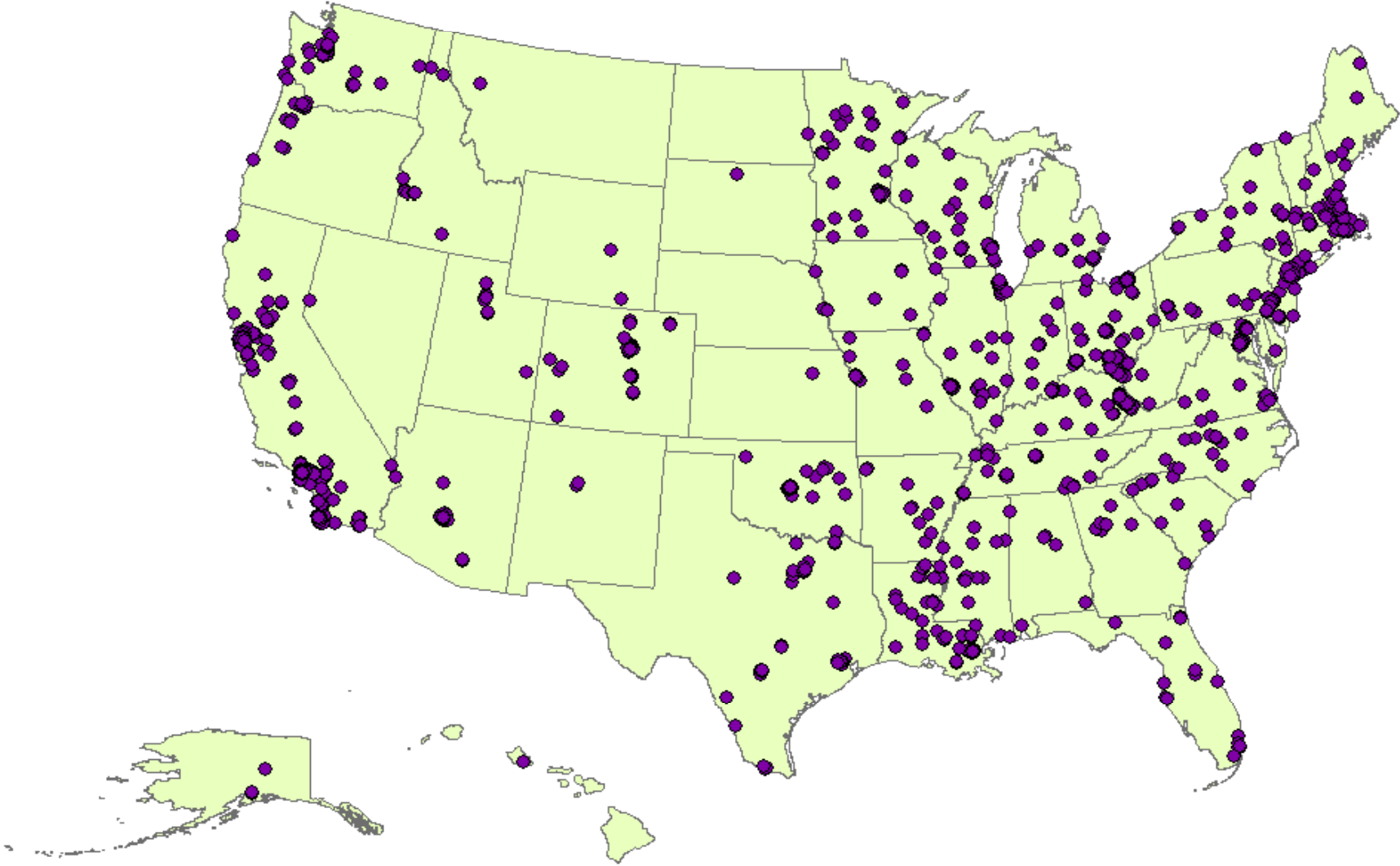


NMTC Investment Authority Available

2002	\$2.5 billion	☐ →	Includes 2001 Round
2003	\$1.5 billion	☐ →	Combined for 2004 Round
2004	\$2 billion		
2005	\$2 billion		
2006	\$3.5 billion		+ \$600 million GO Zone
2007	\$3.5 billion		+ \$400 million GO Zone
2008	\$3.5 billion		+\$1.5 billion Recovery Act
2009	\$3.5 billion		+\$1.5 billion Recovery Act
2010	<u>awaiting reauthorization</u>		
TOTAL	\$26 billion		

Unallocated investment authority may be carried over from year to year through 2014.

Location of New Markets Tax Credit Projects 2003-2008



Source: CDFI Fund, Department of the Treasury, Community Investment Impact System



Activities to Date

- Over \$15.2 billion in QEIs have been made into CDEs that received awards under the first six allocation rounds.
- Through FY 2008, awardees have reported making \$12.7 billion of NMTC loans and investments into low-income communities throughout the country.
- These investments have supported a wide variety of activities:
 - small and large businesses,
 - manufacturing facilities,
 - retail shopping centers (including fresh foods stores)
 - health care facilities,
 - charter schools,
 - job training centers,
 - alternative energy companies, and for-sale housing.



Sample of NMTC Supported Activities:

- An emergency worker training facility developed in Lafayette, LA, after Hurricane Katrina, projected to train more than 240 students per year and provide more than 60 permanent jobs.
- Loan to a Native American business woman to enable her to own a pharmacy in western Montana and create jobs in a high poverty rural community.
- Developing a high-tech business incubator in Detroit to provide opportunities for minority and women business owners.
- A 161,000 square-foot manufacturing facility in rural Iowa that manufactures parts for wind turbines.
- Charter school development serving 450 middle school and high school students, in the Crenshaw neighborhood of south Los Angeles.



TRF-ShopRight Supermarket- Eastwick Philadelphia, PA

- \$5 million in NMTC equity leveraged with funds from Merrill Lynch, Bank of America, and PA Fresh Food Financing Initiative.
- Opened with \$250,000 grant from PA Fresh Food Financing Initiative and loan from TRF's NMTC allocation.
- NMTC equity supported 7 year, interest-only loan generating lower debt service coverage.
- Lower costs allowed TRF to support financing for local workforce training which generated 258 new jobs with employee benefits.





Healthy Food Options – Local Initiatives Support Corporation (LISC)

- ❖ \$18.5 million in NMTC allocation authority leveraged with financing from Wachovia Bank helped develop the Shops at Park Village.
- ❖ Included in the 113,718 sq ft complex is a Super Giant supermarket which is the first in the Congress Heights neighborhood of southeast Washington, DC in nearly a decade.
- ❖ The development created 175 construction jobs and 375 permanent jobs.
- ❖ NMTC equity allowed for below market interest rates with more favorable terms and a higher loan to value ratio.





CEI-River Valley Market - Northampton, MA

- \$7.4 million in NMTC equity leveraged with Massachusetts Technology Collaborative Funds.
- Community market cooperative specializing in local, fresh, organic food from farms in the Connecticut River Valley.
- New construction development of 17,000 sq ft silver LEED certified retail space on 3 acre site.
- Supports local farm resale and distribution markets with annual sales projected to exceed \$10 million.





CEI- Richford Main Street Mill, Richford, VT

- \$4.9 million in NMTC equity leveraged with federal and state historic tax credits and USDA Rural Development loans to produce the first NMTC project in VT.
- 47,000 sq ft, mixed-use redevelopment of former furniture and textile mill built in 1920.
- Now features: Mac's Market, Richford Health Center- serving 2,3009 residents, a pharmacy, office space and affordable housing.
- NMTC helped CEI retain 20 healthcare jobs and created 25 new jobs.





Contact Information

Visit the Fund's website at www.cdfifund.gov

Contact the Fund directly:

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Contact IRS at new.market.tax.credit@irs.gov

For questions about IRS Regulations, Eligibility of possible QLICI activities and Other tax implications of the program

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