



Leveraging Federal Resources for Community Development Finance

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Presented by
Lisa Richter, GPS Capital Partners
lrichter@gpscapitalpartners.com

Outline

- Federal Resources Landscape
- Strategy and Partners for Navigation
- Resources

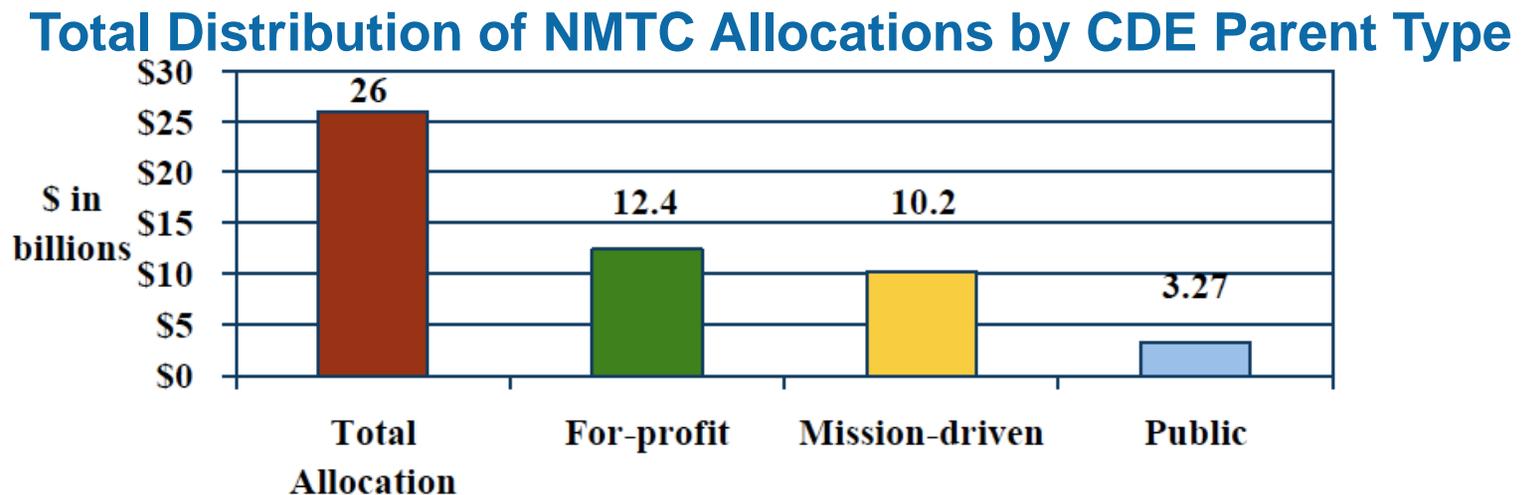
Federal Agency Landscape

Rich set of potential partners and resources, under any economic conditions or Administration:



Landscape

- Bank direct leveraging includes:
 - SBA: > \$12 B FY 2008, \$9 B in FY 2009; mostly banks
 - NMTC: > \$12.4 B cumulative allocations to for-profits; largely banks
 - BEA: \$287 MM through 2008 in some 950 awards
- Missed opportunity with other agencies?



Landscape: Navigation Challenge

Rank	Agency Title	ARRA Funds Announced	ARRA Funds Available	ARRA Funds Paid Out	Pct
1	Department of Labor	\$7,612,214,935	\$62,440,655,815	\$56,774,364,728	91%
2	Department of Health and Human Services	\$56,392,147,870	\$71,056,411,997	\$52,759,772,962	74%
3	Department of Education	\$89,846,566,484	\$70,705,241,270	\$35,637,290,809	50%
4	Social Security Administration	\$13,056,734,020	\$13,442,226,015	\$13,420,830,801	100%
5	Department of Agriculture	\$28,643,800,589	\$12,031,151,605	\$9,668,928,295	80%
6	Department of Transportation	\$7,742,748,569	\$36,829,742,328	\$9,399,397,407	26%
7	Department of Housing and Urban Development	\$12,936,174,084	\$13,325,245,846	\$3,140,944,812	24%
8	Department of the Treasury	\$7,890,691,257	\$7,959,717,387	\$3,126,174,212	39%
9	Department of Energy	\$35,115,744,200	\$25,920,511,352	\$2,544,464,609	10%
10	Department of Justice	\$3,971,375,000	\$3,965,922,654	\$1,589,877,188	40%
11	Environmental Protection Agency	\$6,808,164,604	\$7,111,549,930	\$1,209,551,141	17%
12	Department of Defense--Military	\$6,865,000,000	\$4,245,826,884	\$1,114,956,515	26%
13	Corps of Engineers-Civil Works	\$1,220,504,515	\$3,217,210,273	\$985,247,868	31%
14	Department of Commerce	\$4,450,635,860	\$2,137,390,992	\$697,609,327	33%
15	Department of Veterans Affairs	\$800,775,317	\$1,175,112,235	\$605,732,993	52%
16	General Services Administration	\$5,718,999,531	\$2,797,796,112	\$504,940,243	18%
17	Department of the Interior	\$2,848,591,892	\$1,398,361,919	\$356,814,904	26%
18	Small Business Administration	\$810,154,087	\$661,493,785	\$355,009,738	54%
19	National Science Foundation	\$14,700,000	\$2,636,495,881	\$222,059,498	8%
20	Department of Homeland Security	\$1,352,486,447	\$1,368,456,111	\$199,354,577	15%
21	National Aeronautics and Space Administration	\$1,047,472,480	\$772,895,286	\$195,409,736	25%
22	Railroad Retirement Board	\$149,342,250	\$141,684,351	\$141,634,711	100%
23	Department of State	\$238,465,222	\$236,281,846	\$71,064,700	30%
24	Corporation for National and Community Service	\$154,000,000	\$174,470,980	\$70,803,612	41%
25	Federal Communications Commission	\$79,226,756	\$82,216,058	\$69,296,660	84%
26	National Endowment for the Arts	\$50,000,000	\$49,975,012	\$26,573,249	53%
27	Smithsonian Institution	\$25,000,000	\$21,907,652	\$12,094,555	55%
28	International Assistance Programs	\$40,147,701	\$22,623,583	\$10,546,173	47%
Total		\$295,881,863,670	\$345,928,575,159	\$194,910,746,023	56%

Strategy and Partners

- GPS angle: helps private investors invest in private institutions. Competency in leveraging Federal resources is a key due diligence criterion
- Urgency criterion in financial crisis
 - Communities and historically strong CDFIs at risk
- Foreclosure prevention, rental preservation efforts via NSP
 - Important counseling support efforts via Americorps
 - Family Economic Security via EITC and financial services outreach
- Jobs, income to stem tide of losses and rebuild asset bases
- Sustainable approach for long-term health and stability



Strategy and Partners

- **CDFI/CDEs well positioned.** Opportunity Finance Network 2008 survey of 821 CDFIs ranked funding from 55 Federal programs:
 1. New Markets Tax Credit (Treasury)*5
 2. CDFI Program-FA/TA (Treasury)
 3. Community Development Block Grants (HUD)
 4. Other
 5. Microloan Program (SBA)
 6. USDA: Intermediary Relending Program (USDA)
 7. HOME (HUD)
 8. Low Income Housing Tax Credit (HUD)*
 9. Credit Enhancement for Charter School Facilities Program (Dept. of ED)*
 10. New Markets Venture Capital (SBA)*
 11. Administration for Children and Families (DHHS)
 12. Section 523 (USDA)
 13. Bank Enterprise Award (Treasury)
 14. Community Economic Development Grants (DHHS)
 15. Rural Business Enterprise Grant (USDA)

Source: <http://www.opportunityfinance.net/store/product.asp?plD=158&clD=3>; only 1 bank respondent. "Other" includes a variety of programs, such as Rural Development (EPA), Individual Development Account (DHHS), and Housing and Counseling (DOJ). Asterisk (*) denotes tax credit or loan guarantee program; others are grant programs.

Strategy and Partners

- Significant CDFI funding over a period of time:

Estimated Financial Value of Federal Investments

(to OFN-Surveyed CDFIs over Past Five Years)

	Number	Percent
Over \$25 Million	16	12.9
\$10 Million-\$25 Million	9	7.3
\$5 Million-\$10 Million	14	11.3
\$1 Million-\$5 Million	53	42.7
\$500 Thousand-\$1 Million	11	8.9
\$100 Thousand-\$500 Thousand	12	9.7
Less than \$100 Thousand	9	7.3
Do Not Know	0	0.0

Source: <http://www.opportunityfinance.net/store/product.asp?pID=158&cID=3>. This table aggregates grants (cash) with tax credit allocations and guarantees (non-cash awards) to CDFIs.

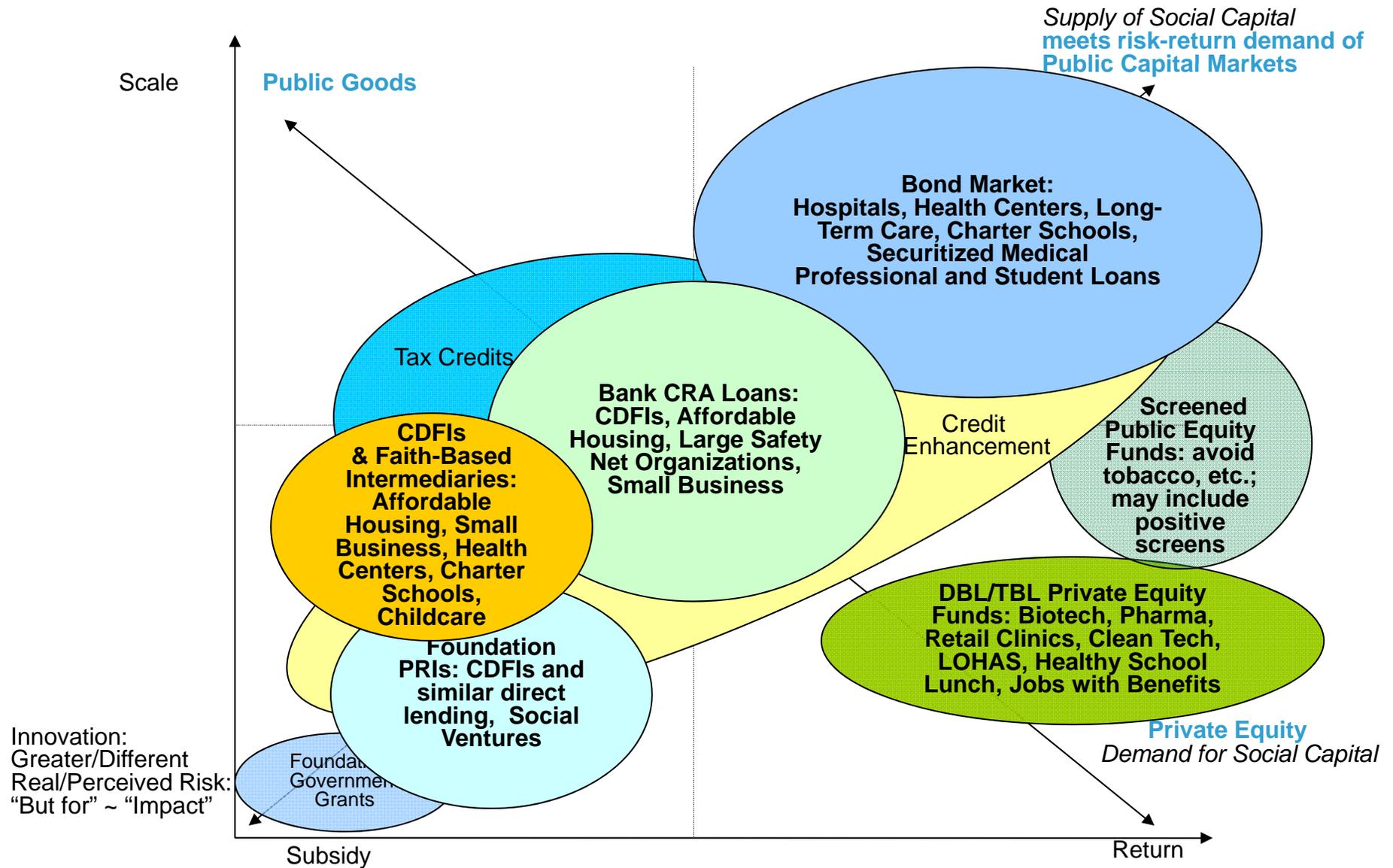
Strategy and Partners

- Dramatic increases in Federal resources 2008 – 2010, some to CDFIs:
 - Housing and Economic Recovery Act of 2008
 - Capital Magnet Fund (\$80 MM CDFI Fund window, 2010)
 - Troubled Asset Relief Program (TARP, \$700 B “bailout”)
 - \$162 MM to 24 CDFI banks
 - Community Development Capital Initiative (TARP for CDFI banks and credit unions, up to \$1 B in 2010)
 - American Recovery and Reinvestment Act of 2009 (\$787 B “stimulus”):
 - \$100 MM over 2009 appropriation for CDFI Fund
 - \$3 B of additional NMTC authority, 2008 – 9 rounds
 - CDFI Fund budget up > 100% in 2010, including for:
 - Healthy Food Financing Initiative (Interagency, \$400 MM)
 - Bank on USA (\$50 MM, asset building financial services)

Strategy and Partners: Flexibility

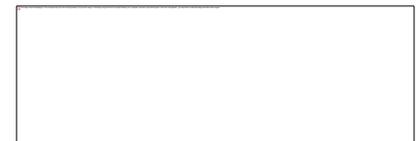
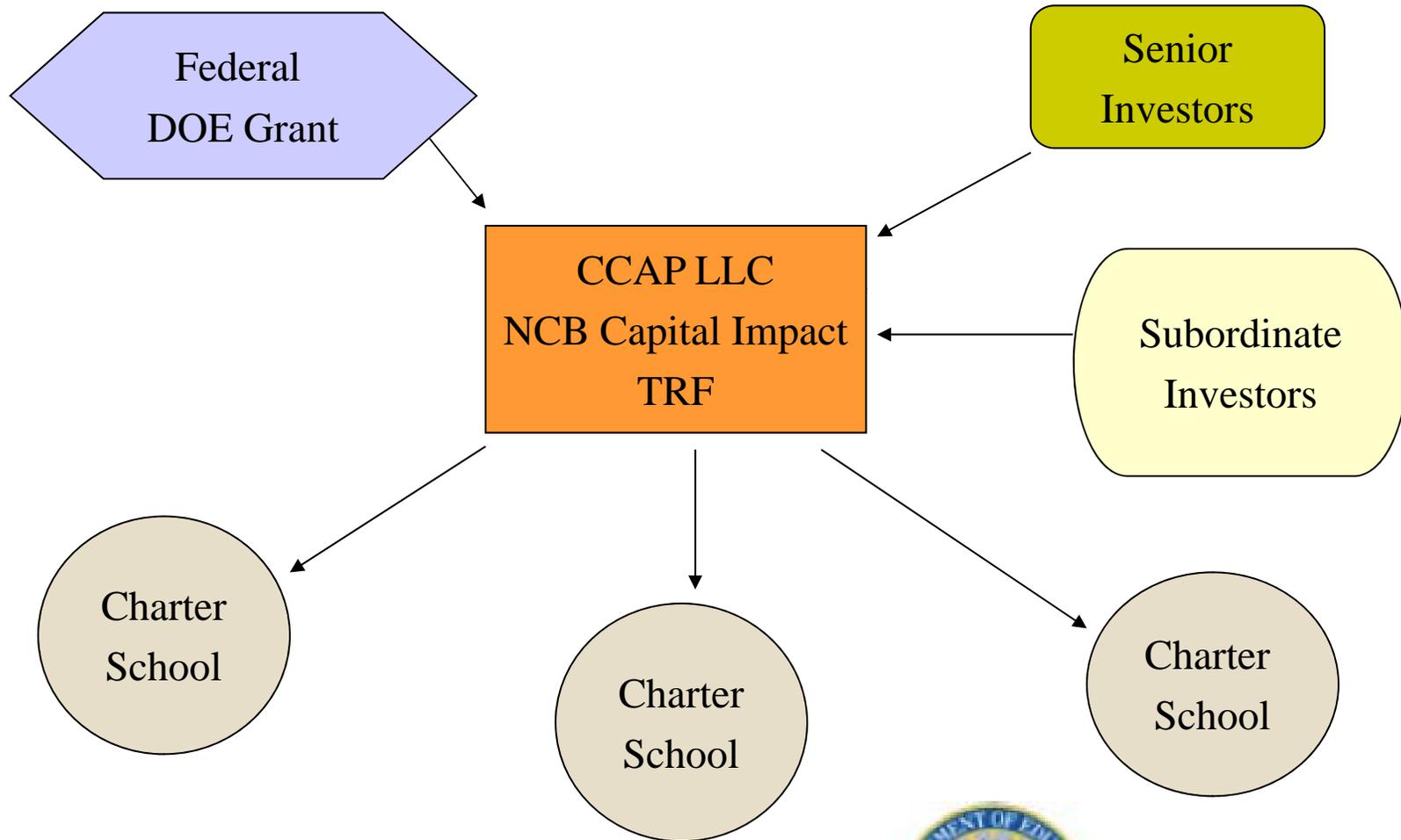
Sector	Investment Opportunities: Intermediary, Direct, Nonprofit & For-Profit Entities	Current Investors
Healthcare	NCB Capital impact, NFF, Community Health Facilities Fund, Working Today, West Alabama Health Services Inc., AIDS Housing of Washington	RWJF, Ford, CA Community, Kresge
Human Services	IFF, LIIF, NFF, Eliza Bryant Center (eldercare), Pioneer Human Services	RWJF, MacArthur, Rockefeller, Kresge
Education	IFF, Council for Adult & Experiential Learning, Howard U. Press, Ed. Facilities Financing Center (LISC), Playworks, Raza Development Fund, NFF, Revolution Foods	Prudential, Ford, Gates, Walton, RWJF, Kellogg
Housing & Community Development	LISC, Enterprise, ShoreBank, Self-Help, Low Income Investment Fund, The Reinvestment Fund, Community Reinvestment Fund, Bridge Housing, Market Creek Plaza, Cleveland Theaters	Ford, MacArthur, Heron, Cleveland, CA Endowment, Jacobs
Small Business/ Workforce	Sustainable Jobs Fund, ShoreBank Enterprise, Coastal Enterprises, Community Development VC Alliance, Pacific Community Ventures	MRBF, Heron, Ford, Casey, CA Healthcare
Asset Building/ Safe Credit & Fin. Services	Self-Help, NC Minority Support Center, Latino Comm. CU, Generations, ShoreBank, CDFI CUs and banks, Natl. Federation of CDCUs, National Community Investment Fund	MRBF, Heron, Ford, MacArthur, Casey, Kellogg
Environment	Trust for Public Land, Sea Change Fund, Enterprise Green Building, Wetlands Initiative, CC Woodson Center (within Spartanburg, SC City park)	Packard, Donnelly, Gund, Ford, Mary Black
Arts & Culture	NFF, Boston Community Capital, Children's Museum of Los Angeles	CA Community, Ford

Strategy and Partners: Scaling Potential



Key: CDFI - Community Development Financial Institution; LOHAS - Lifestyles of Health and Sustainability
 DBL/TBL - Double and/or Triple Bottom Lines of Financial, Social and/or Environmental Return

Charter School Capital Access Program CCAP



Quality Rural Public Charter School

- **Four Rivers Community School**

- Non-profit public charter school in Ontario, Oregon.
- Agricultural area on OR - ID border, 50 miles west of Boise.
- 80% of students qualify for free or reduced price school lunches.
- 81% of students do not speak English as their first language and many have parents who speak no English.
- K-8 elementary school, rated as academically high-performing.

- NCB Capital Impact made a \$1.8 MM, fixed-rate, 7.15%, 25-year acquisition/construction loan in 2007.
- Upon project completion, the loan converted to permanent.
- NCB Capital Impact secured an 80% USDA loan guaranty and sold the guaranteed portion to Farmer Mac.



Rural Safety Net Health Center

- **Cayonlands Community Health Center:**
 - Non-profit health center in rural Page, Arizona, near Utah border.
 - Five Native Reservations nearby served by the health center.
 - 40% of patients served are below 200% of Federal Poverty Level.
 - Full-service center providing dental, OB/GYN, geriatric and pediatric care to uninsured, Medicaid and insured patients.
- NCB Capital Impact made a \$1.2MM, fixed-rate, 7%, 20-year, site acquisition loan in 2006 with 80% loan to value at time of the loan.
- NCB Capital Impact obtained a 90% loan guaranty from USDA and sold the guaranteed portion to Farmer Mac.



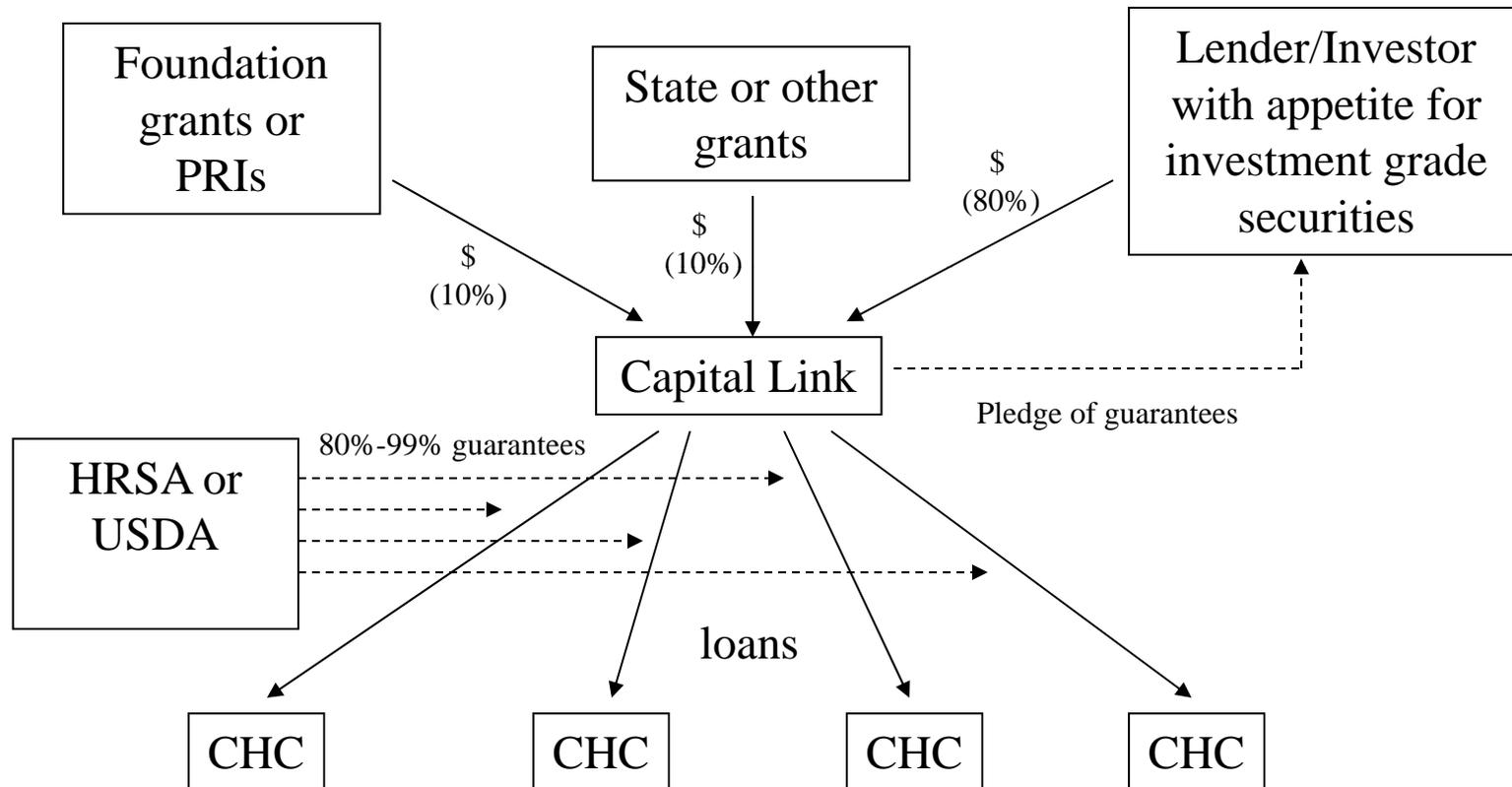
Health Center Capital Financing Needs

- Capital Link 2007 study documented need:
 - \$10.5 billion in capital to serve 30 million people by 2015 (baseline: 20 million people served in 2010)
- ARRA: \$1.5 B in health center capital funding
- Health centers seeking low-cost alternative capital financing to close the gap:
 - NMTC, HTC, USDA, tax-exempt bonds, loans from CDFIs and conventional banks, PRIs from foundations
 - Guarantees from HRSA and USDA



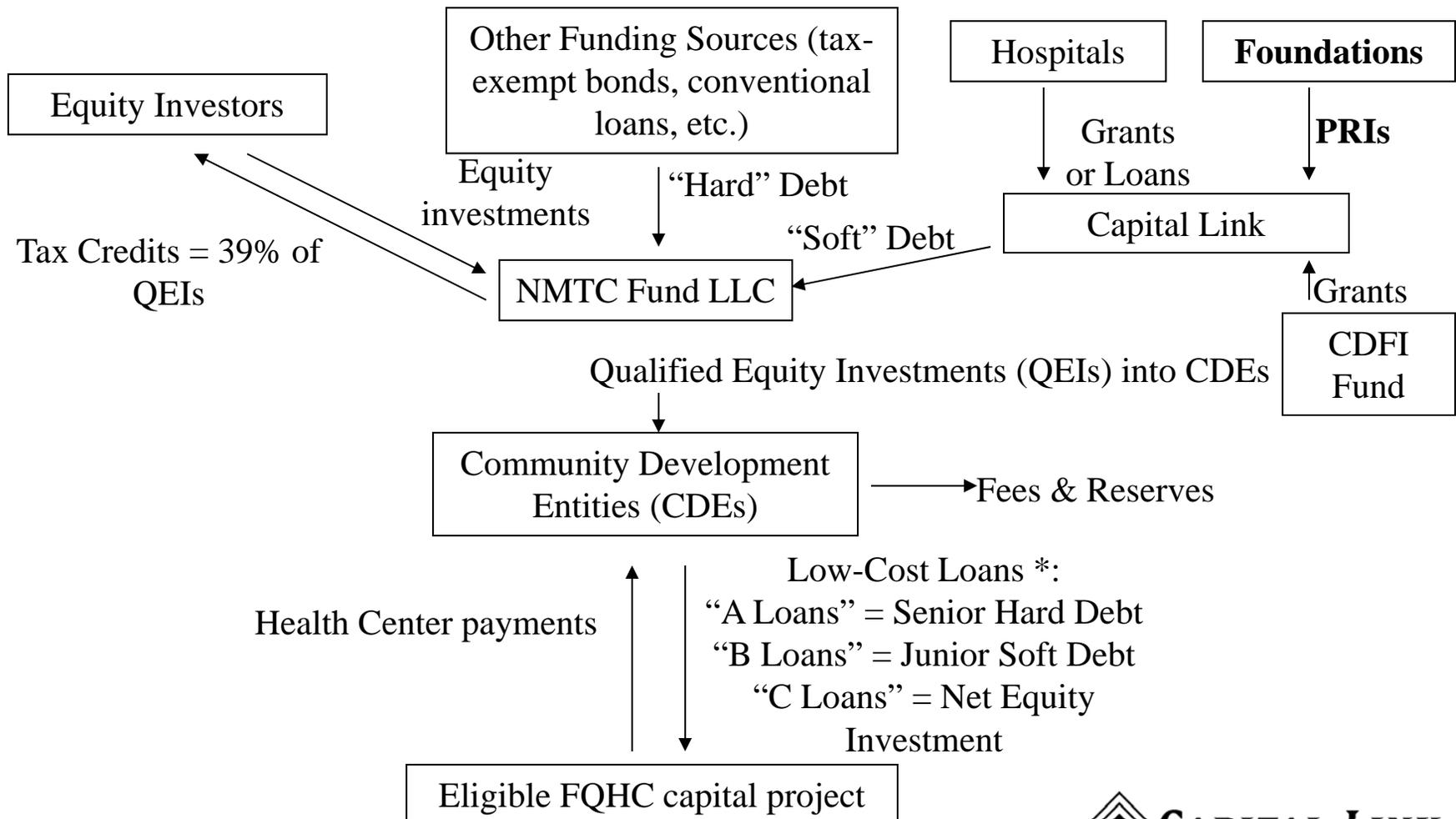
Health Center Capital Financing Program

Guaranteed Loan Structure



Health Center Capital Financing Program

Combining NMTC, PRIs, Other Sources



* Loans structured as interest-only for 7 years at below market rates; at end of 7-year tax credit compliance period, "C Loans" effectively forgiven, providing true equity to the health center.

NMTC Financing for Primary Care Providers for a Healthy Feliciana (Clinton, LA)



Impact:

- ❖ 20,000 SF of new clinical space
- ❖ Double staff size from 24 to 50 FTEs by FY12
- ❖ Triple the patients they can serve, from 6,000 patients and 15,000 visits in FY09 to 18,000 patients and 45,000 visits in FY12

Key Funding Partners:

- ❖ Louisiana Primary Care Association, as leverage lender (\$1.9 million funded through State appropriation)
- ❖ Capital Link, as CDE and leverage lender (\$1.4 million)
- ❖ US Bank CDC, as NMTC investor (\$1 million)
- ❖ Weighted Average Cost of Capital: 3.47%, fixed for 7 years
- ❖ At end of tax credit compliance period, exercise of investor put will result in \$2.9 million in equity to the health center.



Comprehensive Development via CDFI Bank

- **CDCI** (TARP for CDFI Banks): \$7.5MM equity capital raise as CDCI match
 - May be structured as NMTC opportunity
- **CDFI, NMTC, BEA:** \$17.2 MM cumulative awards
- **SBA:** \$11MM in 155 loans, 2007 – 2009 (# 9,11 and 2 in OR by # of loans)



Albina Community Bank

Resources

- Organizations with Mission / Impact Investing Focus

www.moreformission.org
www.primakers.net
www.globalimpactinvestingnetwork.org
www.socialinvest.org,
www.communityinvest.org
<http://www.iccr.org>
www.cdfifund.gov

Example Intermediaries:
<http://www.albinabank.com/>
<http://www.caplink.org/>
<http://www.liifund.org>
www.ncbcapitalimpact.org
www.nonprofitfinancefund.org
www.trfund.com

- Foundations with Mission Investing Programs

<http://www.calendow.org/Article.aspx?id=4005> (background and presentations from July 1, 2009 Mission Investing Forum: Building Healthy Communities)
www.calfund.org/receive/program_investments.php
www.packard.org
[ww.heronfdn.org](http://www.heronfdn.org)
www.wkkf.org
www.aecf.org
www.macfound.org
www.mmt.org
www.kresge.org
www.rwjf.org

- Other

Lisa Richter, lrichter@gpscicapitalpartners.com / www.gpscicapitalpartners.com