Leveraging Federal Resources for Community Development Finance

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New Orleans, Louisiana

Presented by
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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?

<table>
<thead>
<tr>
<th>Rank</th>
<th>Agency Title</th>
<th>ARRA Funds Announced</th>
<th>ARRA Funds Available</th>
<th>ARRA Funds Paid Out</th>
<th>Pct</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Department of Labor</td>
<td>$7,612,214,935</td>
<td>$62,440,655,815</td>
<td>$56,774,364,728</td>
<td>91%</td>
</tr>
<tr>
<td>2</td>
<td>Department of Health and Human Services</td>
<td>$56,392,147,870</td>
<td>$71,056,411,997</td>
<td>$52,759,772,962</td>
<td>74%</td>
</tr>
<tr>
<td>3</td>
<td>Department of Education</td>
<td>$89,846,566,484</td>
<td>$70,705,241,270</td>
<td>$35,637,290,809</td>
<td>50%</td>
</tr>
<tr>
<td>4</td>
<td>Social Security Administration</td>
<td>$13,056,734,020</td>
<td>$13,442,226,015</td>
<td>$13,420,830,801</td>
<td>100%</td>
</tr>
<tr>
<td>5</td>
<td>Department of Agriculture</td>
<td>$28,643,800,589</td>
<td>$12,031,151,605</td>
<td>$9,668,928,295</td>
<td>80%</td>
</tr>
<tr>
<td>6</td>
<td>Department of Transportation</td>
<td>$7,742,748,569</td>
<td>$36,829,742,328</td>
<td>$9,399,397,407</td>
<td>26%</td>
</tr>
<tr>
<td>7</td>
<td>Department of Housing and Urban Development</td>
<td>$12,936,174,084</td>
<td>$70,705,241,270</td>
<td>$35,637,290,809</td>
<td>50%</td>
</tr>
<tr>
<td>8</td>
<td>Department of the Treasury</td>
<td>$7,890,691,257</td>
<td>$3,126,174,212</td>
<td>$3,140,944,812</td>
<td>24%</td>
</tr>
<tr>
<td>9</td>
<td>Department of Energy</td>
<td>$35,115,734,020</td>
<td>$25,920,511,352</td>
<td>$2,544,464,609</td>
<td>10%</td>
</tr>
<tr>
<td>10</td>
<td>Department of Justice</td>
<td>$3,971,375,000</td>
<td>$1,589,877,188</td>
<td>$1,209,551,141</td>
<td>40%</td>
</tr>
<tr>
<td>11</td>
<td>Environmental Protection Agency</td>
<td>$6,808,164,604</td>
<td>$1,209,551,141</td>
<td>$1,209,551,141</td>
<td>17%</td>
</tr>
<tr>
<td>12</td>
<td>Department of Defense--Military</td>
<td>$6,865,000,000</td>
<td>$1,114,956,515</td>
<td>$1,114,956,515</td>
<td>26%</td>
</tr>
<tr>
<td>13</td>
<td>Corps of Engineers-Civil Works</td>
<td>$1,220,504,515</td>
<td>$985,247,868</td>
<td>$985,247,868</td>
<td>31%</td>
</tr>
<tr>
<td>14</td>
<td>Department of Commerce</td>
<td>$4,450,635,860</td>
<td>$697,609,327</td>
<td>$697,609,327</td>
<td>33%</td>
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<tr>
<td>15</td>
<td>Department of Veterans Affairs</td>
<td>$800,775,317</td>
<td>$605,732,993</td>
<td>$605,732,993</td>
<td>52%</td>
</tr>
<tr>
<td>16</td>
<td>General Services Administration</td>
<td>$5,718,999,531</td>
<td>$504,940,243</td>
<td>$504,940,243</td>
<td>18%</td>
</tr>
<tr>
<td>17</td>
<td>Department of the Interior</td>
<td>$2,848,591,892</td>
<td>$356,814,904</td>
<td>$356,814,904</td>
<td>26%</td>
</tr>
<tr>
<td>18</td>
<td>Small Business Administration</td>
<td>$810,154,087</td>
<td>$355,009,738</td>
<td>$355,009,738</td>
<td>54%</td>
</tr>
<tr>
<td>19</td>
<td>National Science Foundation</td>
<td>$14,700,000</td>
<td>$222,059,498</td>
<td>$222,059,498</td>
<td>8%</td>
</tr>
<tr>
<td>20</td>
<td>Department of Homeland Security</td>
<td>$1,352,486,447</td>
<td>$199,354,577</td>
<td>$199,354,577</td>
<td>15%</td>
</tr>
<tr>
<td>21</td>
<td>National Aeronautics and Space Administration</td>
<td>$1,047,472,480</td>
<td>$195,409,736</td>
<td>$195,409,736</td>
<td>25%</td>
</tr>
<tr>
<td>22</td>
<td>Railroad Retirement Board</td>
<td>$149,342,250</td>
<td>$141,634,711</td>
<td>$141,634,711</td>
<td>100%</td>
</tr>
<tr>
<td>23</td>
<td>Department of State</td>
<td>$238,465,222</td>
<td>$71,064,700</td>
<td>$71,064,700</td>
<td>30%</td>
</tr>
<tr>
<td>24</td>
<td>Corporation for National and Community Service</td>
<td>$154,000,000</td>
<td>$70,803,612</td>
<td>$70,803,612</td>
<td>41%</td>
</tr>
<tr>
<td>25</td>
<td>Federal Communications Commission</td>
<td>$79,226,756</td>
<td>$69,296,660</td>
<td>$69,296,660</td>
<td>84%</td>
</tr>
<tr>
<td>26</td>
<td>National Endowment for the Arts</td>
<td>$50,000,000</td>
<td>$26,573,249</td>
<td>$26,573,249</td>
<td>53%</td>
</tr>
<tr>
<td>27</td>
<td>Smithsonian Institution</td>
<td>$25,000,000</td>
<td>$12,094,555</td>
<td>$12,094,555</td>
<td>55%</td>
</tr>
<tr>
<td>28</td>
<td>International Assistance Programs</td>
<td>$40,147,701</td>
<td>$10,546,173</td>
<td>$10,546,173</td>
<td>26%</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>$295,881,863,670</strong></td>
<td><strong>$345,928,575,159</strong></td>
<td><strong>$194,910,746,023</strong></td>
<td>56%</td>
</tr>
</tbody>
</table>
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?pID=158&cID=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:

<table>
<thead>
<tr>
<th>Estimated Financial Value of Federal Investments</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>(to OFN-Surveyed CDFIs over Past Five Years)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over $25 Million</td>
<td>16</td>
<td>12.9</td>
</tr>
<tr>
<td>$10 Million-$25 Million</td>
<td>9</td>
<td>7.3</td>
</tr>
<tr>
<td>$5 Million-$10 Million</td>
<td>14</td>
<td>11.3</td>
</tr>
<tr>
<td>$1 Million-$5 Million</td>
<td>53</td>
<td>42.7</td>
</tr>
<tr>
<td>$500 Thousand-$1 Million</td>
<td>11</td>
<td>8.9</td>
</tr>
<tr>
<td>$100 Thousand-$500 Thousand</td>
<td>12</td>
<td>9.7</td>
</tr>
<tr>
<td>Less than $100 Thousand</td>
<td>9</td>
<td>7.3</td>
</tr>
<tr>
<td>Do Not Know</td>
<td>0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: [http://www.opportunityfinance.net/store/product.asp?pID=158&cID=3](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)
    - $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)
<table>
<thead>
<tr>
<th>Sector</th>
<th>Investment Opportunities: Intermediary, Direct, Nonprofit &amp; For-Profit Entities</th>
<th>Current Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthcare</td>
<td>NCB Capital impact, NFF, Community Health Facilities Fund, Working Today, West Alabama Health Services Inc., AIDS Housing of Washington</td>
<td>RWJF, Ford, CA Community, Kresge</td>
</tr>
<tr>
<td>Human Services</td>
<td>IFF, LIIF, NFF, Eliza Bryant Center (elder care), Pioneer Human Services</td>
<td>RWJF, MacArthur, Rockefeller, Kresge</td>
</tr>
<tr>
<td>Housing &amp; Community Development</td>
<td>LISC, Enterprise, ShoreBank, Self-Help, Low Income Investment Fund, The Reinvestment Fund, Community Reinvestment Fund, Bridge Housing, Market Creek Plaza, Cleveland Theaters</td>
<td>Ford, MacArthur, Heron, Cleveland, CA Endowment, Jacobs</td>
</tr>
<tr>
<td>Small Business/Workforce</td>
<td>Sustainable Jobs Fund, ShoreBank Enterprise, Coastal Enterprises, Community Development VC Alliance, Pacific Community Ventures</td>
<td>MRBF, Heron, Ford, Casey, CA Healthcare</td>
</tr>
<tr>
<td>Asset Building/Safe Credit &amp; Fin. Services</td>
<td>Self-Help, NC Minority Support Center, Latino Comm. CU, Generations, ShoreBank, CDFI CUs and banks, Natl. Federation of CDCUs, National Community Investment Fund</td>
<td>MRBF, Heron, Ford, MacArthur, Casey, Kellogg</td>
</tr>
<tr>
<td>Environment</td>
<td>Trust for Public Land, Sea Change Fund, Enterprise Green Building, Wetlands Initiative, CC Woodson Center (within Spartanburg, SC City park)</td>
<td>Packard, Donnelly, Gund, Ford, Mary Black</td>
</tr>
<tr>
<td>Arts &amp; Culture</td>
<td>NFF, Boston Community Capital, Children’s Museum of Los Angeles</td>
<td>CA Community, Ford</td>
</tr>
</tbody>
</table>
Strategy and Partners: Scaling Potential

Supply of Social Capital meets risk-return demand of Public Capital Markets

Bond Market: Hospitals, Health Centers, Long-Term Care, Charter Schools, Securitized Medical Professional and Student Loans

Bank CRA Loans: CDFIs, Affordable Housing, Large Safety Net Organizations, Small Business

Credit Enhancement

Screened Public Equity Funds: avoid tobacco, etc.; may include positive screens

DBL/TBL Private Equity Funds: Biotech, Pharma, Retail Clinics, Clean Tech, LOHAS, Healthy School Lunch, Jobs with Benefits

Private Equity Demand for Social Capital

Tax Credits

CDFIs & Faith-Based Intermediaries: Affordable Housing, Small Business, Health Centers, Charter Schools, Childcare

Foundation PRIs: CDFIs and similar direct lending, Social Ventures

Innovation: Greater/Different Real/Perceived Risk; “But for” ~ “Impact”

Foundation/ Government Grants

Subsidy

Public Goods

Scale

Return

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

Federal
DOE Grant

Senior Investors

Subordinate Investors

CCAP LLC
NCB Capital Impact
TRF

Charter School

Charter School

Charter School
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

- Foundation grants or PRIs
- State or other grants
- Lender/Investor with appetite for investment grade securities

Capital Link

- HRSA or USDA
- CHC

80%-99% guarantees

Pledge of guarantees

80%

10%

$
Health Center Capital Financing Program
Combining NMTC, PRIs, Other Sources

Equity Investors

Tax Credits = 39% of QEIs

Other Funding Sources (tax-exempt bonds, conventional loans, etc.)

Equity investments

“Hard” Debt

NMTC Fund LLC

“Soft” Debt

Grants or Loans

Hospitals

Foundations

PRIs

Capital Link

Grants

CDFI Fund

Qualified Equity Investments (QEIs) into CDEs

Community Development Entities (CDEs)

Fees & Reserves

Low-Cost Loans *:
“A Loans” = Senior Hard Debt
“B Loans” = Junior Soft Debt
“C Loans” = Net Equity Investment

Health Center payments

Eligible FQHC capital project

* 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)

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.

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
Comprehensive Development via CDFI Bank

- **CDFI** (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)
Resources

• Organizations with Mission / Impact Investing Focus
  www.morefornmission.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
  www.heronfdn.org
  www.wkkf.org
  www.aecf.org
  www.macfound.org
  www.mmt.org
  www.kresge.org
  www.rwjf.org

• Other
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