Georgia Institute of Technology 40th Annual Economic Development Course

FINANCE

Richard Palank St. Louis County Economic Council www.slcec.com

PRESENTATION OVERVIEW

St. Louis County Overview **SLCEC** Overview **SLCEC** Programs **SLCEC Business Finance SLBDF** SLPF **CDFA**

ST. LOUIS COUNTY: The Economic Engine

Recent United States Census Bureau Report:

 St. Louis County is 5th among American suburban counties in number of jobs

 St. Louis County is 9th among American suburban counties in annual payroll

Business Starts: Counties in Missouri

ST. LOUIS COUNTY:
Kansas City
St. Charles
Springfield
St. Louis City

2,300
1,500
770
600
530

Source: St. Louis Business Journal

ST. LOUIS COUNTY: An Economic Engine

- 66% of the region's fastest growing private companies
- 83% of the largest international companies
- 64% of the largest publicly-owned companies
- 64% of the largest Life Sciences/BioBelt research organizations
- 74% of the fastest growing high-tech businesses

Source: St. Louis Business Journal

Basis for Success: Sound Fiscal Practices

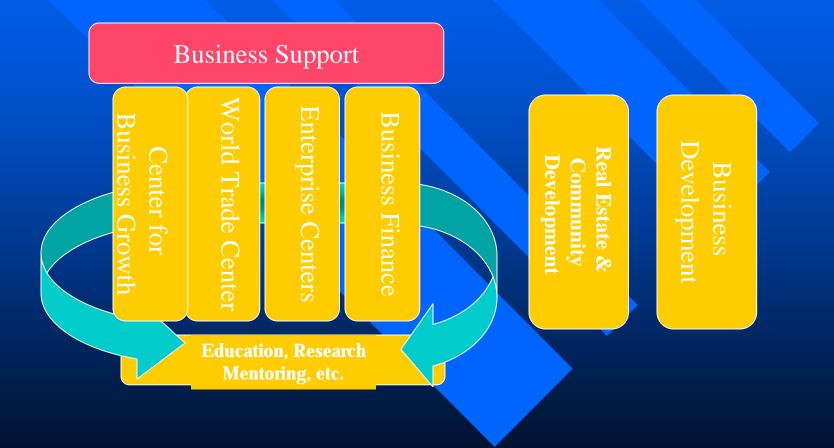
Budget balanced at \$460 M
Consistently meet all debt services
Pure AAA Bond Rating
Sound fiscal practices; economic strength and diversity

The mission of the St. Louis County Economic Council is to facilitate the development of long-term, diversified business and employment opportunities that will lead to increased wealth and well-being for the citizens, businesses, and institutions of St. Louis County and the St. Louis region.

501(c)(4) organization
Established in 1985
43 employees
Total assets: \$26.2 million
FY06 revenue: \$17.5 million

Real Estate – 7 Business Development – 3 World Trade Center – 6 Enterprise Centers – 7 Center for Business Growth – 1* **Business Finance - 6** Economic Development Collaborative – 1 Legal - 2Accounting – 5 Communications – 1 Administration -4

Bachelor of Science – 12 Bachelor of Arts – 13 Master of Science – 6 MBA - 5Executive Masters – 1 JD - 4Post Graduate - 3 Associate -2



Real Estate and Community Development

Mission

Improve the quality of life of all St. Louis County citizens by facilitating redevelopment across County communities

Real Estate and

Community Development

Airport Area Land Redevelopment

- * 600 contiguous acres; State Enterprise Zone and Federal HUB Zone
- * Total number of jobs: up to 12,000
- * Property/income tax revenue = \$320 million
- * Total economic impact = more than \$7 million
- Gaming Development on NL Site (South County)
- * 2000 permanent jobs, 1000 construction (all union)
- * \$300 million investment
- * Environmental remediation of 80-acre site
- * \$25.5 million in total revenues to taxing jurisdictions; positive impact on Lemay redevelopment



Business Development Division

Mission

Retention and support of existing St. Louis County businesses and the recruitment of new businesses.

Business Development Division

Assistance with application for local and state incentives (Tax Abatement, tax credits, etc).

Project management and site location assistance.

Assistance with permits, licensing, public works, and inspections issues.

innovative solutions for companies and communities

Business Development Division

Major Projects

- KV Pharmaceuticals
- GMAC Insurance
- Centene
- Daimler Chrysler
- Pfizer
- Express Scripts

st. Iouis county economic council

innovative solutions for companies and communities

Business Development Achievements 2002 – 2005

Jobs created or retained through retention, expansion, attraction: > 15,000 jobs (St. Louis County)

st. louis county economic council

innovative solutions for companies and communities

WORLD TRADE CENTER Saint Louis

Mission

Grow the region's economic base by promoting and assisting area businesses in international trade and investment.

WORLD TRADE CENTER Saint Louis

Key Services:

- Customized-Market Research, Trade Information and Consulting
- Networking Opportunities
- Contacts and Introductions
- Group Trade Missions
- Trade Education and Training Seminars, more than 40 per year
- Global Reciprocity

St. Louis Enterprise Centers

Mission

Provide new and growing small businesses with affordable Business space, shared support services, access to expert Mentors and valuable networking opportunities.

St. Louis Enterprise Centers

Affordable & Professional

- Three centers located in St. Louis County and one in St. Louis City
- 110,000 square feet of office, warehouse, production and retail space
- Professional support services and administrative assistance
- Mentoring & Entrepreneurial Services
 - Counseling by entrepreneurs, executives and professional service providers
 - Links to multiple resources in a variety of business disciplines
 - Access to capital to finance current operations and future growth

St. Louis Enterprise Centers

Networking & Education

- Environment of shared ideas and business experiences
- Seminars on principles of successful business operation
- Individualized business counsel in a variety of business disciplines

Regional Impact

The Enterprise Centers' impact on the regional economy in 2002 was:

- \$112 million in revenues
- 1,165 full- and part-time jobs

The Center for Business Growth

An incubator without walls designed to support a broad group of small businesses in the community and bringing together the entrepreneurial services offered by the St. Louis County Economic Council through mentoring, education & research.

Target Audience

The Center for Business Growth focuses on:

- Companies with 5 of more employees
- Organizations with a commitment to business growth
- A broad range of business types

Facility

An updated and technologically advanced facility on the 10th floor of the World Trade Center building in Clayton (121 S. Meramec) is available for use by community small businesses

Center for Business Growth Services

Mentoring Services

- Tiered levels of support for businesses depending on their needs:
 - Business Coaching
 - Corporate Executive Mentoring
 - Resource Network

Executive Entrepreneurial Education & Networking

 Education & Networking programs that provide unique educational support and creative networking programs for companies at various stages of development

Research Intelligence and Other Services

- Programs that provide research support to companies as they seek new markets and target additional industries to grow their business.
- Additional programs and service offerings are also being developed.

Business Finance

Mission:

Promote economic development by helping businesses grow, prosper and create new jobs through the use of fixed asset and growth capital loan programs.

Business Finance Division

Palank Objectives

Manage federal loan/bond programs
 Manage SLCEC niche loan programs
 Create new programs on as-needed basis
 National awareness/involvement

Business Finance Division

Fixed Asset Financing Programs

Tax-Exempt Bond Programs

Taxable Bond Programs

Specialty Loan Programs

SBA 504 LOAN PROGRAM

Benefits Summary

Fixed Interest Rates for term of loan
 Long-Term Financing – 10 or 20 years
 Most Recent 20 Year Fixed Rate Was 6.46%

Low Down Payment – Usually 10%

Use of Loan Funds

Land and Building Acquisition Construction or Renovation Purchase of Heavy Machinery or Equipment (useful life of 10 years) Furniture and fixtures Reasonable contingencies, soft costs

Eligibility Criteria

Manufacturers Distributors Retailers Service Companies

Start-ups eligible

Typical Financing Structure



SOURCE

COLLATERAL

50%

Bank Loan

1st lien position

40%

SBA 504 Loan

2nd lien position

10%

Applicant Equity

TAX-EXEMPT BONDS

Why tax-exempt bonds?

Interest income exempt from federal and state taxes
Lower debt service
Current variable rate – 3.65%

Use of Funds

- acquire property construction of new buildings new machinery and equipment issuance expenses - up to 2%. interest expense during construction
- other related costs

Bond Purchasers



Institutional Investors

General Public

The bonds may have to be backed by a bank letter of credit

Bond Terms

- Negotiable between borrower and lender.
- Interest rates-floating or fixed.
- Maturity-The average maturity of the bonds cannot exceed 120% of the average reasonably expected economic life of the bond-financed project.
- Term-depends on the use of the bond proceeds and expected economic life of the assets. Amortization up to 20 years on land and building is typical.

Bond Limitations

□ \$10,000,000 limit.

Fixed asset purchases cannot exceed limit-3 years prior, 3 years into the future-same governmental jurisdiction.

Mini-bonds

\$500,000 to \$2,000,000 and a bank buys and holds the bonds

- Reduced fees
- Standardized documentation
- Faster-normally 45 to 60 days
- Makes "smaller" projects more costeffective

TAXABLE BONDS

(New Program)

Growth Bond Program

- A low cost <u>taxable</u> bond program available to businesses currently not eligible for taxexempt bonds.
- Similar to tax-exempts these bonds are designed for projects over \$2 Million.
- Floating rate bonds are enhanced by a bank letter of credit.
- Current floating rate is 5.32%

BANK QUALIFIED BONDS

(New Program)

□ Limited to 501(c)(3) organizations

Provides extra savings to borrower

Must be purchased by bank

□ Eligible project size: \$500,000 - \$2,000,000

Bonds issued by St. Louis County Port Authority

SLCEC Specialty Loan Programs

Small Business Loan Program Enterprise Center Loan Program Recycling Loan Program Metropolitan Loan Program Brownfields Cleanup RLF Community Development Loan Program Contractor Guaranty Loan Program



Saint Louis Business Development Fund

www.slbdf.com

Overview



Investment Without Ownership

Mission

The Saint Louis Business Development Fund is committed to providing investments in businesses located within the St. Louis region that demonstrate the desire and ability to grow, but are unable to obtain the required capital to do so from conventional sources.



Investment Without Ownership

SLBDF is a unique alternative . . .

... Investment without ownership.

Saint Louis

Saint Louis Business Development Fund:

- mezzanine fund
- established 1994
- private, for-profit corporation
- owned by 23 banks and 3 largest economic development agencies in St. Louis region
- managed by St. Louis County Economic Council
- invests \$100,000 \$500,000 in growing companies
- described at: <u>www.slbdf.com</u>

Investment Without Ownership

Saint Louis

SLBDF SHAREHOLDERS

- **Bank of America**
- **Bank of Edwardsville**
- **Cass Commercial Bank**
- **Commerce Bank**
- **Commercial Bank**
- **Enterprise Banking**
- **First Bank**
- Heartland Bank
- **Irwin Union Bank**
- Jefferson Bank & Trust Company
- Lindell Bank & Trust Company
- Midwest Bank Centre
- National City Bank

- Regions Bank
- **Royal Banks of Missouri**
- **St. Johns Bank & Trust**
- **St. Louis Bank**
- **Southern** Commercial Bank
- **Southwest Bank**
- **The Private Bank**
- **Truman Bank**
- **UMB** Bank
- **US Bank**
- **Economic** Development Center of St. Charles County
- St. Louis County Economic Council
- **St. Louis** Development Corporation

Saint Louis

SLBDF Management

- Rick Palank, President & CEO
- Tim Houghton, Chief Investment Officer
- Matt Padberg, CFA, Chief Financial Analyst
- Mike Devereaux, CPA, Chief of Portfolio Management
- Vince Volpe, JD, CPA, Business Development Liaison

Investment Without Ownership

Saint Louis

Key SLBDF investment terms:

- Origination Fee of 3%
- Five-year term/ amortization
- Usually subordinate to bank debt
- Interest at Prime + 3% or 4%

• Success Fee = cumulative annual fee of 5%-15% of original investment amount for each year any balance is outstanding

-- Payable with final payment

No pre-payment penalty

Investment Without Ownership

Saint Louis

SLBDF investments support:

Business expansion

Acquisition financing

Saint Louis

SLBDF Target Investments:

- Location: St. Louis region (Missouri & Illinois)
- Industry:
 - manufacturing
 - distribution
 - service
 - retail
- Revenues: no minimum or maximum
- Operating History:
 - preferably at least one year of operations
 - profitable/ breakeven

Saint Louis

SLBDF Investment Guidelines focus on:

- Cash flow coverage ratio
- Management
- Business plan
- Debt to Equity ratio
- Personal credit score

Saint Louis

Calendar 2006 facts for SLBDF:

- 7 new investments in 2006
- Approved approximately 50% of applications
- Average 2006 investment = \$342,000
- 30 active investments in portfolio at 12/31/06 (\$3.8M)

Investment Without Ownership

Saint Louis

<u>SLBDF track record</u>:

- Average new investments:
 - » 2004: \$133,000
 - » 2005: \$214,000
 - » 2006: \$342,000
- 20 new investments made 2004 2006
 - » All current
 - » No delinquencies
- Historical average payoff time = 2.5 years

Investment Without Ownership

Saint Louis

RICK PALANK, President & CEO

ST. LOUIS COUNTY ECONOMIC COUNCIL 1981 – Present

Senior Vice President, Business Finance Division

Serves as chief operating officer for the Business Finance Corporation of St. Louis County and the St. Louis County Industrial Development Authority.

Founded the Saint Louis Business Development Fund in 1994.

B.S. Marketing, Saint Louis University MBA, Saint Louis University

*Investment Nithout Ownershi

Saint Louis

THY FIOUCETTON, Chief Investment Officer

HUTCHINSON FOUNDRY PRODUCTS, INC. Alton, II.1992 - 2001

President and owner of Hutchinson Foundry Products, Inc.

Hutchinson is a \$12 million per year revenue company which manufactures precision die cast parts for the electric motor industry. With plants in Alton, II. and Monterrey, Mexico, the Company employed about 120 people.

ANHEUSER- BUSCH COMPANIES, St. Louis, Missouri 1978 – 1990

Vice President and General Manager

Metal Container Corporation, St. Louis, Missouri

Responsible for all operations, engineering, purchasing, quality, and personnel functions of manufacturing subsidiary of Anheuser-Busch – 1700 employees.

B.S. Mechanical Engineering, University of Missouri at Rolla MBA, University of Wisconsin, Milwaukee

Investment Without Ownership

Saint Louis

MATT PADEERG, CFA, Chief Financial Analyst

TRANSCEND FINANCIAL INC., St. Louis, MO 2004 - present

Financial consulting practice: M&A, business development, and turnaround work for startup businesses to Fortune 500 companies with a focus on fundamental, cash flow-based analysis..

DELOITTE & TOUCHE, LLP, St. Louis, MO

<u>1998</u> - 2004

Senior Manager, Financial Advisory Services. Managed the St. Louis valuation practice. Valued private companies and divisions of publicly-traded companies.

THE PROCTER & GAMBLE COMPANY, Cincinnati, OH 1995 - 1998

Financial Analyst for the global deployment of Total Shareholder Return.

Bachelor of Arts, Wake Forest University. *Magna cum Laude* MBA, Fuqua School of Business, Duke University

Saint Louis

MIKE DEVEREUX, CPA, Chief of Portfolio Management

EMERGING BUSINESS RESOURCES CORP.

Owner of financial consulting practice that performs controllership services, business modeling, business development, M&A, turnaround work and assists in acquiring financing for emerging businesses

DEVEREUX & COMPANY, P.C.

Principal of Devereux & Company, P.C., certified public accountants and business consultants for over 20 years

BS in Business Administration, Saint Louis University

Investment Without Ownership

Saint Louis

VINCE VOLPE, JD, CPA, Business Development Lisison

SAINT LOUIS UNIVERSITY, John Cook School of Business: Asst. Professor of Management

ARBIRIS CONSULTING: Managing Director PPC INTERNATIONAL: CEO of global behavioral healthcare company PAULI & COMPANY: Investment banker with NASD broker-dealer KPMG: Head of M&A Group in St. Louis; Coordinator of National Quality Group GUILFOIL PETZALL & SHOEMAKE: Corporate attorney CITY OF SAINT LOUIS: Chief aide and counsel to Mayor Vincent Schoemehl LEWIS, RICE & FINGERSH: Corporate attorney BARRY WEHMILLER COMPANIES: Financial systems development DELOITTE & TOUCHE: Auditor

JD, Saint Louis UniversityMBA, Saint Louis UniversityM.Ed., William Paterson UniversityBA, Indiana University

THE SAINT LOUIS PRIVATE FUND

SUMMARY

The Saint Louis Private Fund (SLPF) is a LLP or LLC owned by up to 50 individual investors who will each own one or more shares equal to \$100,000 per share for a total fund value of \$5,000,000.

SLPF will invest up to \$500,000 in companies located within the St.Louis region in partnership with the Saint Louis Business Development Fund (BDF).

Rationale for SLPF

Since its inception in 1994, SLBDF has had numerous requests for funding in excess of its current \$500,000 maximum per client company. It is assumed that many of these requests have not been funded due to a lack of equity or semi-equity sources of funding in the St. Louis region.

For a variety of reasons, the BDF Board of Directors has indicated that it does not want to increase ITS maximum investment above \$500,000 for the foreseeable future. Thus, SLBDF would team up with SLPF to provide up to \$1,000,000 total investment in a company, IE.
 \$500,00 from SLBDF and up to another \$500,000 from SLPF.

Investments vs. Loans

Like BDF, SLPF will provide "investment without ownership." While a SLPF investment will have certain characteristics of a loan, it also has characteristics of an investment, and is a much-preferred alternative to equity or venture capital.

SLPF Pricing Structure

 SLPF pricing structure shall be identical to that of BDF on a case-by-case basis. As noted above, the SBPF will have the characteristics of a commercial loan. In addition, and in lieu of taking an equity position in a client company, SLPF will charge "Success Fees", which typically range from 5% to 15% per year of the SLPF investment. Success fees are not prorated and are not payable until maturity or at the time of prepayment. There are no prepayment penalties.

SLPF/BDF Financing Structure

SLPF agrees that it will partner with BDF in the following ways:

- For financing requests between \$500,000 and \$1,000,000, BDF will first evaluate the request. If BDF approves a \$500,000 investment, its approval may be contingent upon SLPF approval of the amount requested above \$500,000. If SLPF approves the amount requested above \$500,000, both investments will be funded.
- SLPF will not entertain any financing requests that have not been previously submitted to and reviewed by BDF.

BDF shall have a senior security interest in borrower and guarantor pledged assets.

Individual Investor

- An individual investor is a person who agrees in writing to invest \$100,000 during the 'funding period', which will last approximately three years or that period of time that is takes to fully apply the \$5,000,000 investment. At least twenty-five (25) shares, with a maximum of fifty (50) shares must be confirmed prior to the termination of the subscription period, which ends 6/30/07.
- The first call for funds will be in amount of \$25,000 from each investor SHARE. The timing and amount of subsequent calls will be dependent upon the demand for SLPF loans over the funding period.

Distributions

All principal and interest collected on SLPF investments will be paid quarterly to each investor on a pro-rata basis.

SLPF Management.

- SLPF will be professionally managed by the St. Louis County Economic Council, which also manages the BDF. The only fees paid to SLCEC will be the 3% commitment fee paid by the client company upon the company's approval of the terms and conditions of the SLPF investment, and a 1% per year (of the outstanding aggregate principal balance) servicing fee.
- By contrast, BDF's management fee to SLCEC consists of an annual fee equal to 1% of the outstanding portfolio balance, plus 20% of success fees.
- TPF investors will receive the benefit of the marketing, due diligence and administrative functions that are already in place for SLBDF.

Development Finance Overview

About CDFA

- National non-profit dedicated to the advancement of the development finance industry
- Founded in 1982 to represent the interests of the industrial development bond industry
- 200 member organizations and growing
- Quality events: Annual Summit, four training courses
- Acclaimed research: online resources, monthly newsletter

Legislative Affairs

- The voice of the development finance industry on Capitol Hill
- Proven track record of passing effective and timely legislation
- May 2006: CDFA succeeds in accelerating an increase in the capital expenditure limit on small issue Industrial Development Bonds (IDBs)
- Connected and respected throughout Washington, DC

Economic Development Finance Overview

- Wide variety of programs exist to help with both general and targeted financing needs
- Different instruments debt, equity, short-term, longterm, low interest, tax-exempt, credits, etc.
- Economic developers should employ a diverse financing toolbox to serve many different needs
- Sources: federal, state, local and private

Tax Exempt Bond Finance

Tax Exempt Bond Finance

- State and local municipal bonds are exempt from federal income tax
- Tax Reform Act of 1986
- Benefits
 - Lower interest rates for borrowers
 - Tax-exempt status to buyer
 - Borrow has less costly financing
 - Issuers have attractive economic development tool

Government Bonds

Public Purpose

- Highways, schools, bridges, sewers, jails, parks, government equipment, buildings, etc.
- Private entities may not significantly use, control or own the facility being financed
- Raise capital at lowest cost

Private Activity Bonds (PAB)

- Issued for the benefit of private individuals or entities and can only be used on a tax exempt basis if they are "Qualified PABs"
- Various types of PABs
 - Exempt Facilities Bonds (Airports, docks and wharves, masscommuting facilities, etc.
 - Qualified Mortgage Bond (single-family for first time homebuyers)
 - Qualified Redevelopment Projects

Private Activity Bonds (PAB) Various types of PABs (cont.)

- Qualified 501(c)(3) (hospitals, educational institutions)
- Qualified Exempt Small Issues (Industrial Revenue Bonds for small manufacturing projects)
- Qualified Student Loan (qualified scholarship funding)
- Enterprise Zone (designated enterprise or empowerment zone)

Qualified 501(c)(3)

- Used to finance projects owned and used by Sections 501(c)(3) organizations
 - Qualified Hospital Bonds
 - Qualified Non-hospital Bonds

Industrial Development Bonds (IDBs)

- Purchase, construction, extension and improvement of warehouses, distribution facilities and industrial plants, including the real estate either within or without the limits of such municipalities, buildings, fixtures and machinery
- Referred to by many names (IDBs, IRBS, IDRBs, small issue or manufacturing)

Mini Bonds

- Can significantly lower the upfront and annual fees on tax-exempt loans by providing a streamlined application process, standardizing documents, reducing the number of industry professionals involved, and negotiating lower fees
- Ideal for
 - Small Businesses
 - 501(c)(3) organizations

Aggie Bonds

 Some states offer assistance to beginning farmers and ranchers with eligible purchases of farmland, equipment, buildings and livestock

Taxable Bond Finance

Taxable Bond Finance

 Similar to tax exempt bonds, but without the tax exempt benefits

Small Business and Entrepreneurial Finance

SBA CDC 504 Program, 7(a) Lending Program

- 504 Program—Project loan
 - 50 percent from traditional lender
 - 40 percent from Certified Development Company (CDC)
 - 10 percent collateral from small business
- 7(a) Lending Program
 - Loan through lending institution

SBA 7(a) Loan Program

\$2 million maximum loans
 \$1.5 million SBA exposure/guaranty

Express Loan: \$350,000 loan maximum
 50% SBA exposure limitation
 www.sba.gov/services/financialassistance

Microloan Programs

- SBA run program through nonprofit community-based lenders
- Provide financing to:
 - Home-based businesses
 - Existing businesses
- Maximum Ioan \$35,000 (\$13,000 typical)
- Must be repaid in 6 years

Microenterprise Programs

- SBA defines microenterprises for organizations that use its funds to train and assist disadvantaged entrepreneurs and microentrepreneurs.
- Microenterprise is a sole proprietorship, partnership or corporation with fewer than five employees (including the owner) that cannot obtain bank loans, equity or other conventional financing (13 CFR 119. 2).
- Microenterprise address the finance needs of the smallest of the small

Revolving Loan Funds (RLF)

- Gap financing measure primarily used for development and expansion of small businesses. Uses both public and private sector funds
- Self-replenishing pool of money, utilizing interest and principal payments on old loans to issue new ones
- RLFs don't compete with convention funding sources. Capital access to business unable to obtain financing through traditional sources

World Wide Technology

Started in April, 1996
\$210,000 loan from SLCEC

■ \$1.8 billion in revenue

900 employees

Largest minority-owned firm in United States

Women/Minority Owned Business Finance

- Growing sector of economy
- Many state-supported targeted programs
- Federal government programs through the SBA
- Access to target programs, such as Revolving Loan Funds

Mezzanine Funds

- Gap financing measure that can be used for growth-oriented small businesses that may not entirely qualify for loans or investments through traditional lending institutions
- Funds occupy the middle of the business finance scale—less risky than equity or venture capital but more risky than senior bank debt
- Advantage—cheaper than equity financing and not required to give up company equity; more flexibility in meeting cash flow needs; receive long-term investment commitments; gain new business insights; and receive capital to expand
- Disadvantages—Ceding some independence to lender; companies may also be steered into spending money in certain areas according to restriction on the financing

Seed & Venture Capital Financing

- Seed Funds—one or more parties that is connected to new enterprise invests funds to start the business
- Venture Capital—larger at an arm's length transaction of investment money
- Venture Debt a new concept (WSJ)

Angel Investment

Affluent individual who provides capital for a business start-up, often in exchange for ownership equity

Other Sources of Funding

Credit Cards

Equity Partners

Targeted Finance Tools

Tax Increment Financing (TIF)

- Tool to use future gains in taxes to finance the current improvements that will create those gains
- 49 states and the District of Columbia have enabling legislation
- TIF to finance public infrastructure, land acquisition, demolition, utilities, planning costs and other improvements
 - Sewer expansion and repair; curb and sidewalk work; storm drainage; traffic control; street construction; street lighting; water supply; landscaping; park improvements; environmental remediation; bridge construction and repair; parking structures

Community Development Districts (CDD)

- Specifically constructed under individual state statutes (Florida)
- Specific set of means and methods for addressing blighted areas

Provide for the use of bond issuances for these newly created districts

Community Facilities Districts (CFD)

- Allow the municipalities to pass on the entire costs of infrastructure improvements to landowners within the boundaries of the particular districts being improved
- Provide for low-interest, long-term, tax-exempt financing government programs
 - The owners of at least 25 percent of the land area in the proposed CFD petition city for formation

Special Assessment Districts

- Created through communities Home Rule provision
- Method of financing public improvements by distributing the cost of a project over those property owners who will reap a direct benefit
- Local public improvements most often paid for through SADs include sanitary sewers, storm drains, water mains, road paving, dust control, sidewalk construction and street lighting

Special Improvement Districts (SIDs)

- Improvement Districts are created to fund public improvements such as roads, curbs, sidewalks, utilities, etc. Improvements are funded from the proceeds of a bond issue sold by the municipality. All properties benefiting from improvements are included in district's assessment
- Each assessment constitutes a lien on the property and must be paid by property owner
- Remaining assessment transferred to new owner at time of sale

Business Improvement Districts (BIDs)

- Started in 1970s to help downtown areas
- Assessment district in which business owners choose to be assessed a fee for use in promoting and improving the business area
- Provides area with the resources to develop marketing campaigns and increase awareness, secure additional funding and enhance public improvement and beautification projects

Green Finance

- Federal Green Bonds—issued by state or local governments for qualified green building and sustainable design
- Wind Energy Credits—1.5 center per kilowatt-hour (in 1992 dollars, adjusted for inflation) for power produced by wind turbines
- Renewable Electricity Credits—is a per kilowatt-hour tax credit for electricity generated by qualified energy resources.
- Business Energy Tax Credits—10 percent tax credit for the purchase/investment in solar or geothermal energy property

U.S. Dept. of Commerce—EDA Funding

- Public Works Grants—help support the construction or rehabilitation infrastructure and facilities to generate or retain jobs and investments, attract capital and promote regional competitiveness
- Economic Adjustment Grants—technical, planning and infrastructure assistance in regions experiencing adverse economic changes that may occur suddenly or over time
- Strategic Planning Grants
- http://www.eda.gov/AboutEDA/Programs.xml

U.S. Dept. of Housing and Urban Development

- Community Development Block Grant (CDBG) Program—flexible program that provides communities with resources to address a wide range of unique community development needs. Beginning in 1974, the CDBG program is one of the longest continuously run programs at HUD
- 108 Loan Guarantee Program—loan guarantee provision of CDBG providing communities with financing for economic development, housing rehab, public facilities and large-scale physical development projects
- Brownfield Economic Development Initiative (BEDI) Program—provides grants on a competitive basis to local entitlement communities. Assist cities with the redevelopment of abandoned, idled and underused industrial and commercial facilities where expansion and redevelopment is burdened by real or potential environmental contamination

Workforce Development Financing

- Department of Labor Training Funding including:
 - Long-Term Care Training
 - Workforce Innovation in Regional Economic Development (WIRED) Initiative
 - High Growth Job Training Initiative

Brownfield Finance

- EPA—Assessment Grants, Revolving Loan Fund Grants, Cleanup Grants, Job Training Grants, Brownfield tax credit (check on that in tax credit database)
- EDA—Works with EPA's brownfield program. EPA focuses on the "front-end" or environmental aspects while EDA targets the "back-end" or real estate development components of transactions.
- HUD Grant program—BEDI http://www.hud.gov/offices/cpd/economicdevelopment/progra ms/bedi/

TAX CREDIT PROGAMS

New Markets Tax Credits

- Created to address the lack of capital available to business and economic development ventures in low income communities
- Provides incentive of federal tax credit to individuals or corporations that invest in Community Development Entities (CDEs) in low income areas

Historic Rehab Tax Credits

- Established to discourage unnecessary demolition of older buildings and to slow capital flight from older urban areas
- Qualified rehabilitation credit is equal to 20% of renovation costs, with pre-1936 buildings in non-residential income-producing use qualifying for a 10% credit
- Four factors that decide whether your rehabilitation project proposal would meet the basic application requirements for the 20% tax credit
 - Building must be listed in the National Register of Historic Places
 - After rehabilitation, the historic building must be used for an income-producing purpose for at least five years
 - Project must meet the "substantial rehabilitation test"
 - Rehabilitation work must be done according to the Secretary of the Interior's Standards for Rehabilitation

Low-Income Housing Tax Credits

- Created in 1986 to promote the construction and rehabilitation of housing for low-income persons
- Developers can raise capital for construction and acquisition and substantial rehabilitation of housing
- State receive annual inflation adjusted per person allocation (\$1.75 in 2003) for issuance of tax credits

Brownfield Tax Credits

- Rehabilitation tax credits established to discourage unnecessary demolition of older buildings and slow capital flight from older urban areas
- Qualified sites must also meet these requirements:
 - Contaminated site must be held for use in a trade, business or for the production of income
 - Statement must be obtained from designated state environmental agency that site meets federal definition of contaminated site:
 "There has been a release, threat of release, or disposal of hazardous substance at or on the site."

State Tax Credit Programs

- States offer a variety of tax credit programs
 - Arizona—Motion Picture Production Tax Credit, Research & Development Income Tax Credit, Healthy Forest Enterprise Incentives Program
 - Ohio—Technology Investment Tax Credit Program
 - Main—Main Seed Capital Tax Credit Program
 - Connecticut—Urban and Industrial Site Tax Credit Program, Corporate Business Tax Credit

Rural Development Finance

Rural Development Finance

Best source is USDA programs. Got to find rural community development. Then find programs section. There are a number of programs including loan programs, community facility, grant programs, etc.

Technology Finance

Technology Finance

- Some states encourage technology development through various programs
 - Ohio—Third Frontier Program
 - New Jersey—Edison Innovation R&D Fund
- Small Business Innovative Research Program (SBIR)/Small Business Technology Transfer (STTR) stimulate technological innovation in the private sector by strengthening the role of small business concerns in meeting federal research and development needs, increasing the commercial application of federally supported research results and fostering and encouraging participation by socially and economically disadvantaged and women-owned small businesses

Import/Export Assistance Finance

Import/Export Assistance Finance

- Export-Import Bank of U.S. offers assistance to U.S. exporters
 - Working Capital–enables U.S. exporters to obtain loans that facilitate the export of goods or services
 - Loan Guarantee–assists exporters by guaranteeing term financing to creditworthy international buyers, both private and public sector, for purchases of U.S. goods and services
 - Direct Loans–providing fixed-rate loans to creditworthy international buyers, both private and public sector, for purchases of U.S. goods and services

Private Grants & Foundation Finance

Private Grants & Foundation Finance

 Can work with private local foundations to get funding for economic development strategy studies. Some cities have historically supported these activities such as Cleveland, OH

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