CDFA Illinois Financing Roundtable Webcast:
Unlocking the Development Finance Toolbox in Illinois

The Broadcast will begin at 2:00pm (EST).

While you're waiting, check out some upcoming CDFA events…

Intro Public-Private Partnership (P3) Finance WebCourse
cdfa
December 12-13, 2012
Daily: 12-5pm (EST)

Reshored Manufacturing Webinar Series
cdfa
February-May, 2013
2:00-4:00pm (Eastern)

cdfa Illinois Financing Roundtable

A specialized state initiative of the Council of Development Finance Agencies

Unlocking the Development Finance Toolbox

Toby Rittner

President & CEO
Council of Development Finance Agencies
Columbus, OH

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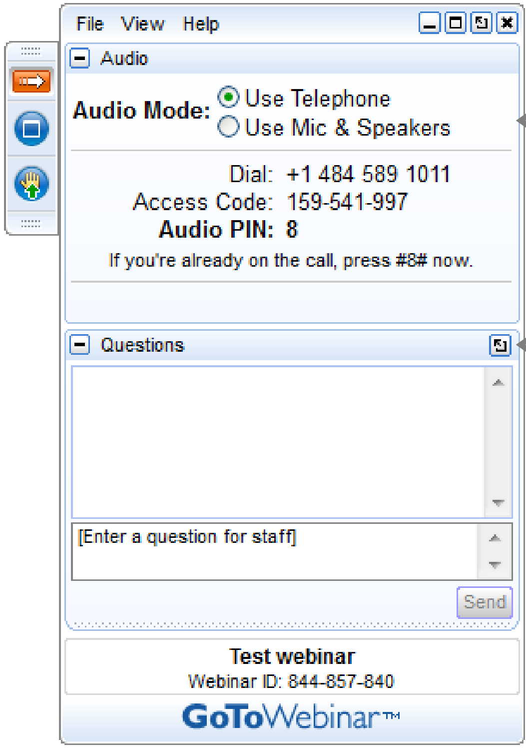
Unlocking the Development Finance Toolbox



Using your telephone will give you better audio quality.

Submit your questions to the panelists here.

- **Want to watch again?**

  You will find a recording of this webcast, as well as all previous CDFA webcasts, in the Online Resource Database at www.cdfa.net.

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Unlocking the Development Finance Toolbox

Speakers

Toby Rittner, *Moderator*
CDFA

Matthew Lewin
Greenburg Traurig, LLP

Susan Homeier
Stern Brothers & Co.

James Snyder
Ice Miller

Karl Marschel
Bryan Cave LLP

Tony Smith
SB Friedman Development Advisors

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CDFA Illinois Financing Roundtable

Unlocking the Development Finance Toolbox

December 10, 2012

Toby Rittner
President & CEO

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About CDFA

- National non-profit association representing the development finance industry.
- Provide education, advocacy, research, resources, networking and leadership.
- Education – Bond Finance (2), Tax Increment Finance (2), Tax Credit, Revolving Loan Fund, Innovation Finance, Energy Finance, P3 Finance and Fundamentals of ED Finance Course.
- Advocacy – Active partner with Congress and Administration advocating for development finance concerns.
- Research – Produce annual State-By-State studies for Bond Volume Cap and Tax Increment Finance Statute changes, bond finance resource center, TIF resource center, RLF resource center, Federal Financing Clearinghouse, etc.
- Resources – Over 4,000 resources online through our various libraries and database.
- Networking – 320 member organizations throughout the country, 21,000 person network,- join today!

Understanding Development Finance

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What is Development Finance?

- Development finance is the efforts of local communities to support, encourage and catalyze expansion through public/private investment in physical development/redevelopment and/or business/industry.
- It is the act of contributing to a project/deal that causes that project/deal to materialize in a manner that benefits the long term health of the community.
- Development finance requires programs and solutions to challenges that the local environment creates.

What Does DF Include?

- Debt, equity, credits, liabilities, remediation, guarantees, collateral, credit enhancement, venture/seed capital, early stage, workforce, technical assistance, planning, short-term, long-term, incentives, gap, etc.

- Proactive approaches that leverage public resources to solve the needs of business, industry, developers and investors.

What DF *Does Not* Include

- Free handouts and unabashed subsidies
- Duplicative assistance
- Poor due diligence and transparency
- Poor oversight and performance measures
- Irrational responses to immediate challenges

Why is DF Important?

- Businesses need working capital and the ability to invest in themselves
- Developers need assistance to achieve an acceptable ROI
- Communities need infrastructure and amenities
- Citizens need opportunities for advancement – jobs, small business, education, etc.
- Regions need economic prosperity

Trends in DF Tool Use

- 50% of finance agencies issue bonds
- 41% act as conduit bond issuers
- 50% provide direct loans
- 27% provide loan guarantees (collateral support)
- 39% provide grants
- 62% provide technical assistance

Despite these trends:

50% of all finance agencies allocate less than 20% of their actual budget to directly financing development?

Tool Use Trends

- Nearly 40% of finance agencies do not use TIF (49 states have TIF capabilities)
- 65% of agencies do not use SIDs & BIDs (special districts)
- Less than 5% of finance agencies frequently employ the use of state & federal tax credit programs
- Only 9% of agencies are active in the venture capital finance industry (5% of agencies use alternative equity)
- Over 43% of agencies use RLFs frequently (federalized)

Tool Use Trends – Federal

- CDBG – 40% frequently use
- EDA – 18% frequently use
- Reliance on federal funding remains strong yet this source is the most volatile and less reliable from year to year
- A note on grants – over 25% of agencies are actively providing grants to finance development

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So What is Happening Here?

- Why are agencies ignoring tried and true tax-exempt bond financing tools for addressing manufacturing & non-profit development?
- Why are economic developers ignoring targeting financing tools such as TIF for addressing redevelopment, business district and revitalization?
- Why are tax credits programs underutilized? Tax credits abound – NMTC, brownfields, historic, LIHTC, hundreds of replicable state program.
- Nearly 30 states have state sponsored venture funds?
- Why the reliance on federal funding?

A Few Answers

- Complexity of financing programs
- Nature of locally controlled, political economic development efforts
- Lack of focus on financing strengths within community
- Little dedication to education and capacity building

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Building the Development Finance Toolbox

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Introducing the Toolbox Approach

- The Toolbox Approach is a full scale effort to building local and regional financing capacity to serve and impact a variety of business and industry needs.
- This is an investment in programs and resources that harness the full spectrum of a community's financial resources and is a dedication to public/private partnerships.

Why the Toolbox Approach?

- Wide variety of programs already exist to help with both general and targeted financing needs (yet we continue to seek new programs and struggle to gain access to scarce sources of funding)
- One size does not fit all and there are different instruments for different users

Why the Toolbox Approach?

- More parties can be involved with a comprehensive approach – banks, thrifts, educational providers, investors, angels, developers, planning authorities, etc.
- Diversity is very important in development finance efforts.

The Toolbox and Financing Spectrum

5 Practice Areas

Practice Area 1: Bedrock Tools

- Bonds and the Basics of Public Finance

Practice Area 2: Targeted Tools

- Tax Increment Finance, Special Assessment Districts, Government Districts and Project Specific District Financing

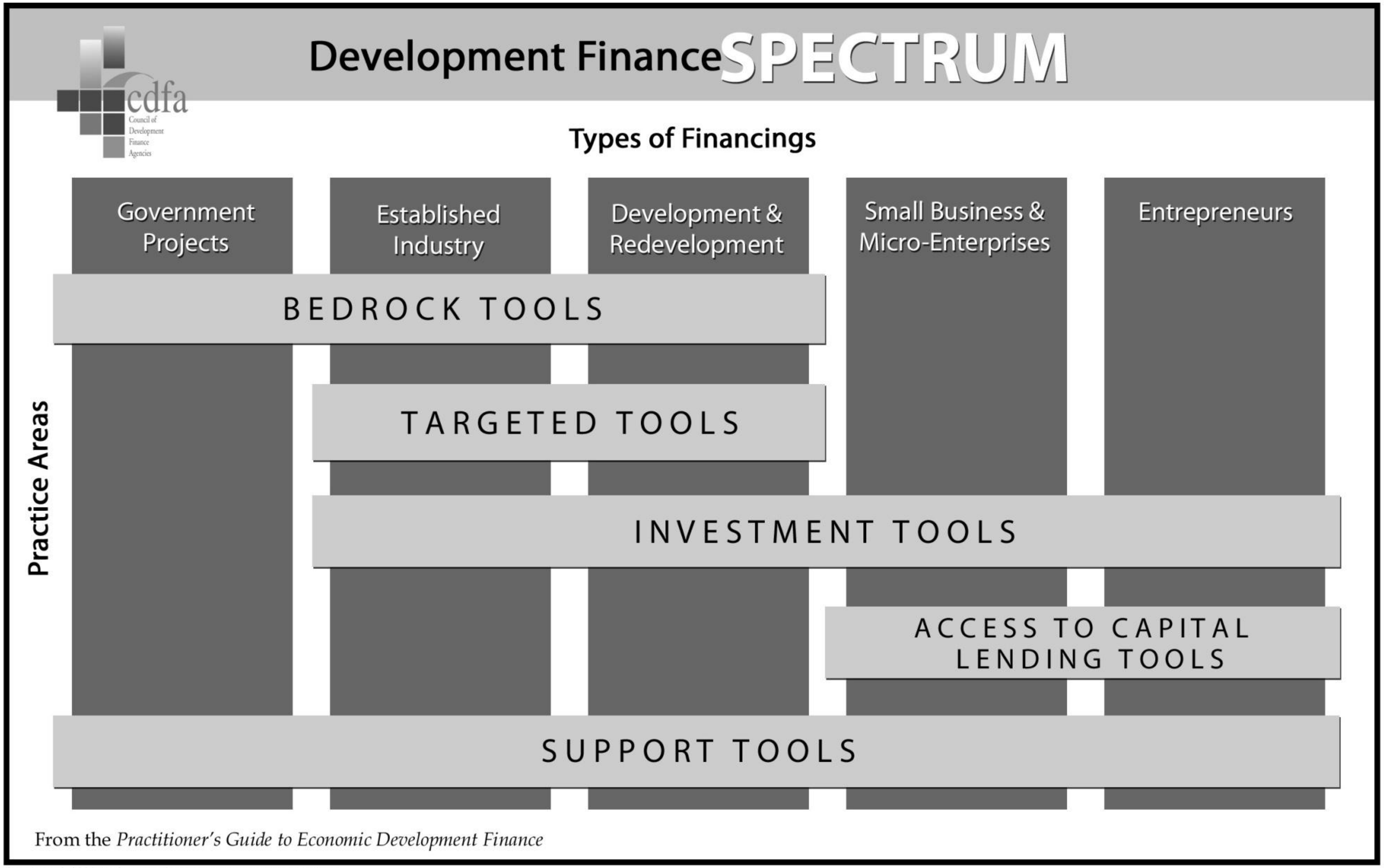
The Toolbox and Financing Spectrum

Practice Area 3: Investment Tools
- Tax Credits, Seed & Venture Capital and Angel Funds

Practice Area 4: Access to Capital Lending Tools
- Revolving Loan Funds, Mezzanine Funds, Loan Guarantees and Microenterprise Finance

Practice Area 5: Support Tools
- Federal Funding and Abatements

Development Finance Spectrum



In the End…

- All economic development comes down to the access to financial resources for completing a given project or deal.
- Nearly all projects/deals hinge on the ability to leverage inexpensive sources of financing.
- As they say, cash is king, money makes the world go around and show me the money!

Post-Recession Economic Development Finance

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Recession's Impact

- Reduction in state and local government tax revenues has severely hindered ability to spur economic development
- Constraints of federal government have reduced resources for economic development (fiscal cliff approaching)
- Inactivity of Congress has slowed economic recovery and created mixed message of policy vs. politics
- States have acted irrationally to reduce strains on government to detriment of econ development efforts

Recession's Impact

- Private sector has retracted and contracted
- Access to capital has "dried-up"
- Commercial real estate development has slowed significantly
- Bond markets have slowed to snail's pace
- Government expansion only now starting to pick-up
- Focus of economic development has shifted

Recession's Impact

- Threats to common economic development tools are rampant and real
- Tax Exempt Bonds
- New Markets Tax Credits
- Historic Rehab Tax Credits
- CDBG, EDA, USDA
- SBA 504 and 7a

2012 Trends in Development Finance

- Project focus has shifted
- Energy efficiency, sustainable development
- Urban infill, land reuse and revitalization
- Transit oriented development, intermodal opportunities
- Innovation finance, entrepreneurship
- Small business development
- Low spec development

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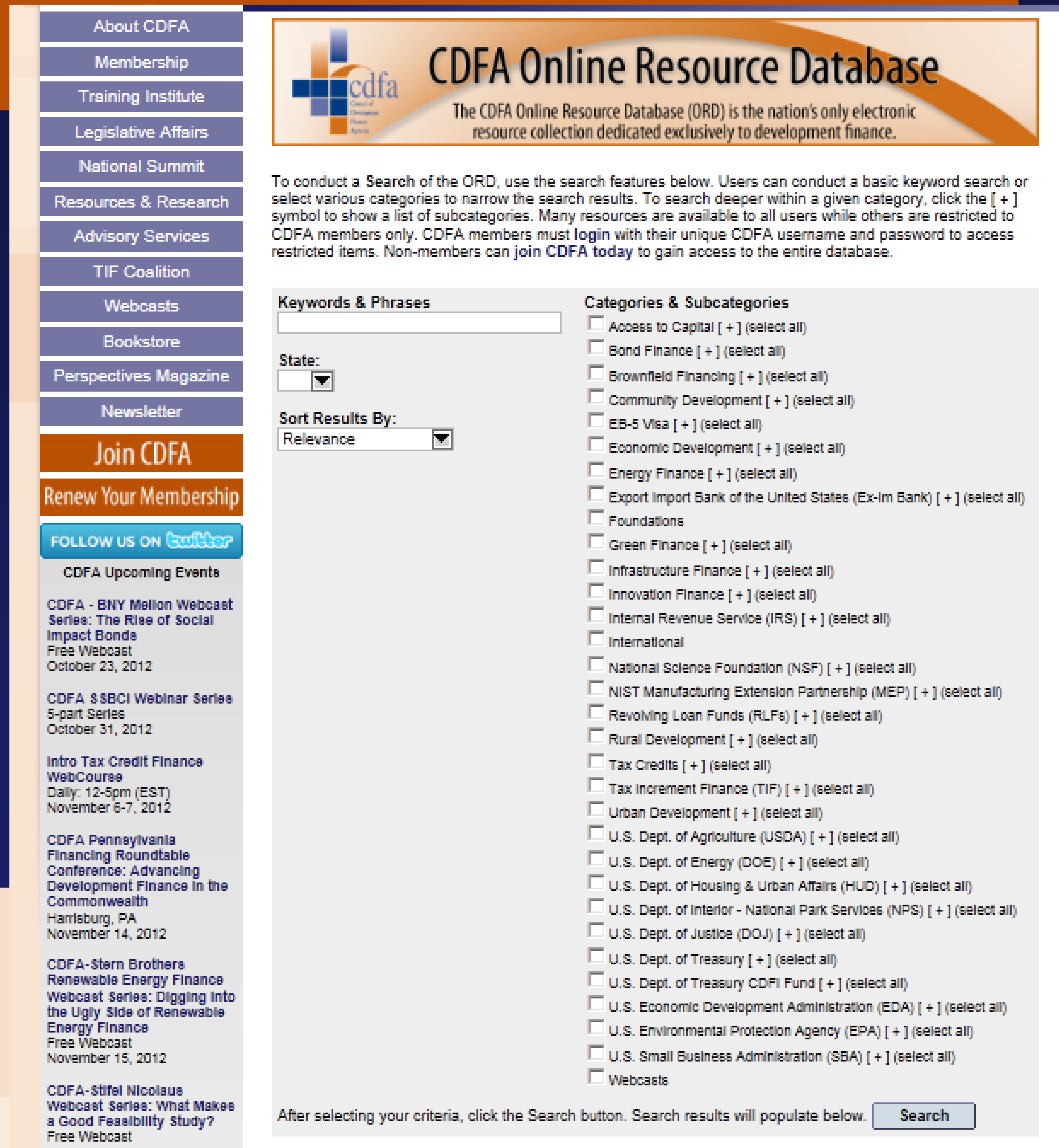
End on a High Note

- Opportunities are emerging
- P3 deals are gaining significant traction
- Bond markets are up 68% over last year
- EB-5 reauthorized for three years
- Investment in sustainable infrastructure is now preferred by investment community
- Reshored manufacturing is happening

Resources

- Over 3,600 online resources with dozens of categories and subcategories
- Designated resource centers to help break down some of the complexity



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CDFA - BNY Mellon Webcast Series: The Rise of Social Impact Bonds
Free Webcast
October 23, 2012

CDFA SSBCI Webinar Series
5-part Series
October 31, 2012

Intro Tax Credit Finance WebCourse
Daily: 12-5pm (EST)
November 6-7, 2012

CDFA Pennsylvania Financing Roundtable Conference: Advancing Development Finance in the Commonwealth
Harrisburg, PA
November 14, 2012

CDFA-Stern Brothers Renewable Energy Finance Webcast Series: Digging Into the Ugly Side of Renewable Energy Finance
Free Webcast
November 15, 2012

CDFA-Stifel Nicolaus Webcast Series: What Makes a Good Feasibility Study?
Free Webcast
December 6, 2012

CDFA Online Resource Database

The CDFA Online Resource Database (ORD) is the nation's only electronic resource collection dedicated exclusively to development finance.

To conduct a **Search** of the ORD, use the search features below. Users can conduct a basic keyword search or select various categories to narrow the search results. To search deeper within a given category, click the [+] symbol to show a list of subcategories. Many resources are available to all users while others are restricted to CDFA members only. CDFA members must **login** with their unique CDFA username and password to access restricted items. Non-members can **join CDFA today** to gain access to the entire database.

Keywords & Phrases

State:

Sort Results By:
Relevance

Categories & Subcategories

- Access to Capital [+] (select all)
- Bond Finance [+] (select all)
- Brownfield Financing [+] (select all)
- Community Development [+] (select all)
- EB-5 Visa [+] (select all)
- Economic Development [+] (select all)
- Energy Finance [+] (select all)
- Export Import Bank of the United States (Ex-Im Bank) [+] (select all)
- Foundations
- Green Finance [+] (select all)
- Infrastructure Finance [+] (select all)
- Innovation Finance [+] (select all)
- Internal Revenue Service (IRS) [+] (select all)
- International
- National Science Foundation (NSF) [+] (select all)
- NIST Manufacturing Extension Partnership (MEP) [+] (select all)
- Revolving Loan Funds (RLFs) [+] (select all)
- Rural Development [+] (select all)
- Tax Credits [+] (select all)
- Tax Increment Finance (TIF) [+] (select all)
- Urban Development [+] (select all)
- U.S. Dept. of Agriculture (USDA) [+] (select all)
- U.S. Dept. of Energy (DOE) [+] (select all)
- U.S. Dept. of Housing & Urban Affairs (HUD) [+] (select all)
- U.S. Dept. of Interior - National Park Services (NPS) [+] (select all)
- U.S. Dept. of Justice (DOJ) [+] (select all)
- U.S. Dept. of Treasury [+] (select all)
- U.S. Dept. of Treasury CDFI Fund [+] (select all)
- U.S. Economic Development Administration (EDA) [+] (select all)
- U.S. Environmental Protection Agency (EPA) [+] (select all)
- U.S. Small Business Administration (SBA) [+] (select all)
- Webcasts

After selecting your criteria, click the Search button. Search results will populate below. Search

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Resource Centers

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CDFA Federal Financing Clearinghouse

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CDFA Federal Financing Clearinghouse
An online searchable clearinghouse of federal economic development finance programs.

504 Loan Program

Program Agency	U.S. Small Business Administration (SBA)
Financing Category	Access to Capital Community Development Urban Development
Financing Type	Direct Loan
Program Overview	The Certified Development Company (CDC)/504 loan program is a long-term financing tool, designed to encourage economic development within a community. The 504 Program accomplishes this by providing small businesses with long-term, fixed-rate financing to acquire major fixed assets for expansion or modernization. A CDC is a private, nonprofit corporation which is set up to contribute to economic development within its community. CDCs work with SBA and private sector lenders to provide financing to small businesses, which accomplishes the goal of community economic development. Typically, a CDC/504 project includes: • A loan secured from a private sector lender with a senior lien covering up to 50 percent of the project cost; • A loan secured from a CDC (backed by a 100 percent SBA-guaranteed debenture) with a junior lien covering up to 40 percent of the project cost; and • A contribution from the borrower of at least 10 percent of the project cost (equity). This type of setup means that 100 percent of the project cost is covered either by contribution of equity by the borrower, or the senior or junior lien.
Eligible Users	To be eligible for a CDC/504 loan, businesses must be operated for profit and fall within the size standards set by the SBA. Under the 504 Program, a business qualifies as small if it does not have a tangible net worth in excess of $7.5 million and does not have an average net income in excess of $2.5 million after taxes for the preceding two years. Loans cannot be made to businesses engaged in speculation or investment in rental real estate.
Eligible Project Types	504 loans must be used for fixed asset projects such as: • The purchase of land, including existing buildings; • The purchase of improvements, including grading, street improvements, utilities, parking lots and landscaping; • The construction of new facilities or modernizing, renovating or converting existing facilities; or • The purchase of long-term machinery and equipment. The 504 Program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing.
Special Notes	
How to Apply	There are about 270 CDCs nationwide, each covering a specific geographic area. If you are interested in applying for a 504 loan, contact your local CDC. A list of SBA CDCs is available online.
Website & Contact Information	http://www.sba.gov/content/cdc504-loan-program

New Search

Additional Resources from CDFA's Online Resource Database:

Combining and Leveraging TIF with Other Tools
Access to Capital | Bond Case Studies | Bond Finance | Case Studies | Energy Finance | Federal | Green Bonds | Green Finance | Qualified Energy Conservation Bonds (QECBs) | Qualified Energy Conservation Bonds (QECBs) | SBA CDC 504 Loan Program | SBA CDC 504 Loan Program | State Resource | Tax Increment Finance (TIF) | TIF Case Studies | Understanding TIF | U.S. Small Business Administration (SBA)
Jim Snyder of Ice Miller LLP discusses layering TIF with other sources of financing and presents the Kone Center case study.

Chester County Economic Development Council
Access to Capital | Community Development | Community Development Corporation (CDC) | Federal | Innovation Finance | Local Finance Program | Local Green Finance Programs | Revolving Loan Funds (RLFs) | Rural Development | SBA CDC 504 Loan Program | SBA CDC 504 Loan Program | State Finance Program | State Tax Credit Programs | Tax Credits | Technology Financing | U.S. Small Business Administration (SBA)
Gary Smith of Chester County Economic Development Council reviews the organization's programs to support economic development and capital access in the region.

SBA Office of Capital Access Performance Highlights

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CDFA State Financing Roundtable

- OH, PA, MI, IL, GA now
- TX, OR, CA, FL next
- Newsletters
- Webcasts
- State Conference
- Resource/Research Center
- Networking

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Unlocking the Development Finance Toolbox

Susan Homeier

Managing Director
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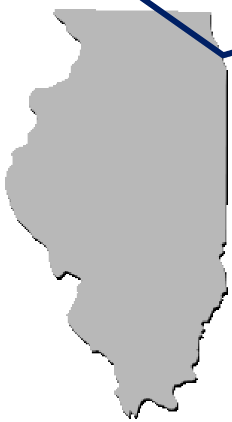

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Susan B. Homeier

Managing Director

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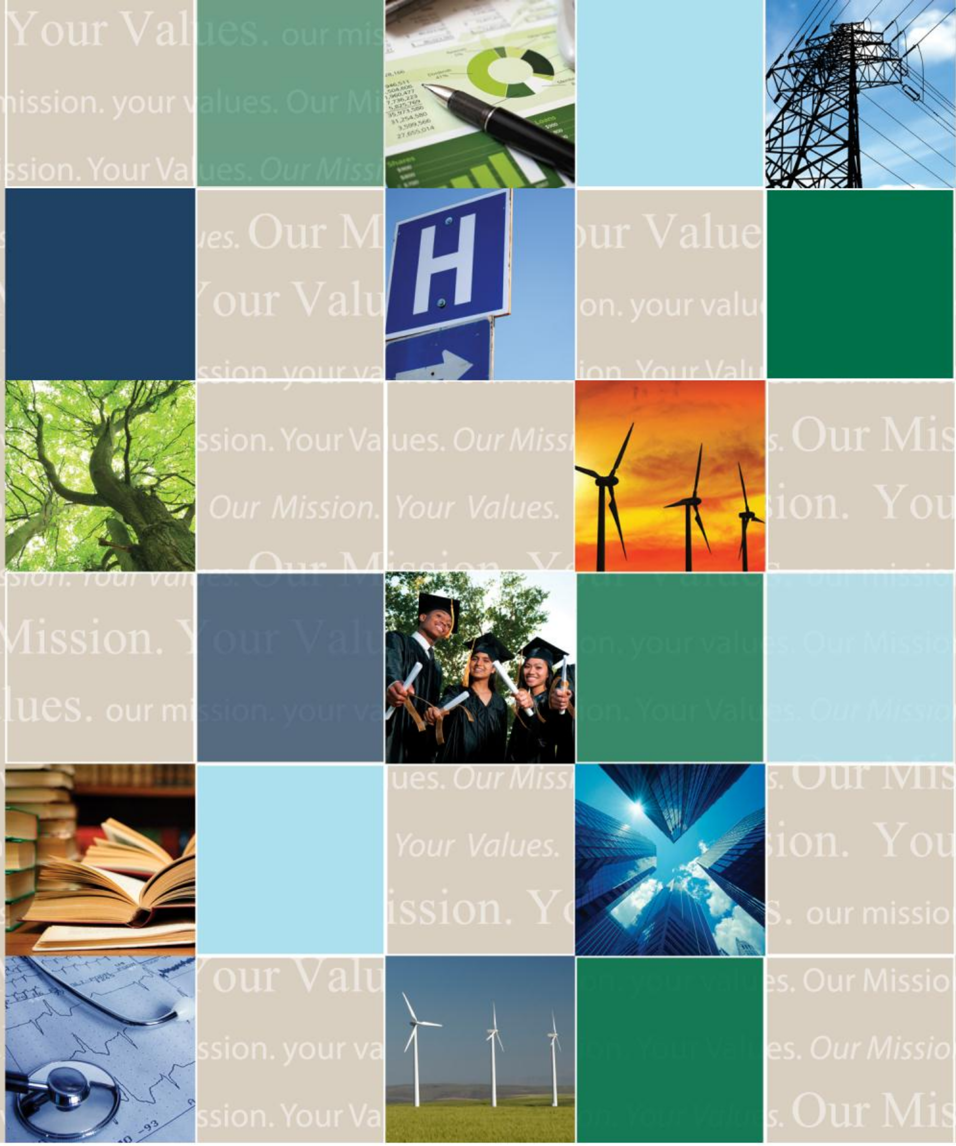

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Case Study – Economic Development Project Renewable Energy

$23.5 million

Tax-Exempt

<u>Location</u>:	Waste Water Treatment Plant
<u>Project:</u>	Construction, installation and operation of Fuel Cell Power Plant
<u>Structure</u>:	Two series - a short-term 3-year bond and a 20-year fully amortizing series
<u>Rating</u>:	Non-rated
<u>Purchasers</u>:	High yield bond funds. 100m minimum denominations and Investor letter

This deal was the first of its kind.

Keys to the Financing Structure

- **Tools - What are available and can be utilized?**

- **Tax Exempt Bonds**
  - Lower par amount is acceptable
  - Section 142 of the IRS Code
  - Lease or PPA Structure
  - Capital Lease
  - Appropriation Risk
  - Non-Rated, Rated or Insured
  - Allocation and Issuer

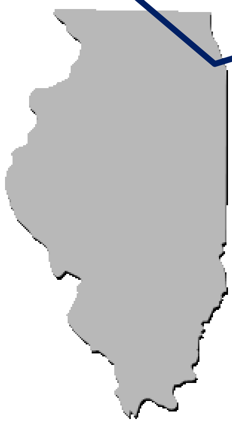
- **Taxable Bonds**
  - Larger par amount required
  - Lease or PPA Structure
  - Ownership
  - Appropriation Risk

- **Direct Bank Placement**
  - Lower par amount is acceptable
  - Lease or PPA Structure
  - Guarantees

Unlocking the Development Finance Toolbox

Matthew Lewin

Shareholder
Greenburg Traurig, LLP
Chicago, IL



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Conduit Tax-Exempt Bonds
CDFA Illinois Roundtable
December 10, 2012

Matt Lewin
Greenberg Traurig LLP
312-456-8458
lewinm@gtlaw.com

I. General

A. Categories

1. "Small issue" (Manufacturing) Industrial Development Revenue Bonds (see Part II below)

2. "501(a)(3)" bonds (see Part IV below)

3. Multi-Family Housing bonds

4. Other "Exempt Facility" Bonds– most commonly for airports, port facilities, solid waste disposal and sewage facilities

B. Structures

1. “Direct Bank Purchase” Bonds: Bank (or other purchaser) purchases the entire Bond from the Issuer. There is no public offering of the Bond, no Underwriter and no disclosure document. The Bond is not rated. There often is no Bond Trustee appointed. The Bond terms are negotiated directly between the Bank and the Borrower. Typically, the Bond will bear interest at either a fixed or floating rate for a fixed period of time (such as 5 years) which will be less than the final maturity of the Bond. After that period, the Bank and the Borrower will each have the right to exit the deal at par and in that case, the Borrower will need to refinance with a new Bank. But the Bond documents will not need to be redrafted at that time as they contemplate a new Bank coming in. Financial and operational covenants are negotiated between the Bank and the Borrower as in a typical Bank loan

2. Publicly Offered Fixed Rate Bonds (with no Credit Enhancement): This option is only for creditworthy borrowers. Bonds will be purchased by an Underwriter selected by the Borrower and offered to the public via a disclosure document usually known as an Official Statement. The Underwriter, Issuer and the Borrower will enter into a Bond Purchase Agreement prior to closing obligating the parties to close, subject to certain conditions. The Bonds may or may not be rated. Typically, if the Bonds are rated investment grade, then they

may be sold in $5,000 denominations to retail investors. If the Bonds are unrated or rated less than investment grade, typically the Bonds may only be sold in higher denominations (e.g., $100,000 minimum) and often only to investors who sign an investment letter specifying that they are accredited investors or qualified institutional buyers. Borrower are generally subject to continuing disclosure requirements by filing their annual audited financial statements and material information with a central repository. Typically, Bonds have a long term (30 year) maturity, with a fixed rate or rates for specified maturities. They are often noncallable for 10 years and then callable with a slight redemption premium in the first 2 or 3 years after the 10-year no-call period

3. Publicly Offered Variable Rate Bonds (backed by Bank Letter of Credit): Bank issues a direct pay Letter of Credit backing the Bonds. The Trustee draws on the Letter of Credit to make all payments on the Bonds. The Bonds bear interest at a variable rate that changes weekly and mirrors the SIFMA short term rate index. The Bondholders may “put” the Bonds on 7 days’ notice and, under certain circumstances, the Bonds must be “put” by the Bondholders (e.g., change in LC Bank, expiration of LC). A Remarketing Agent is appointed to set the weekly interest rate and remarket any bonds which are put to other investors (typically short term tax exempt money market

funds). If the Remarketing Agent fails to remarket put Bonds, the Letter of Credit will be drawn upon to pay the tender price. The Bonds usually have a single long term nominal maturity date and are callable on any date at par without premium. The Bank enters into a Reimbursement Agreement with the Borrower under which the Borrower agrees to pay the Bank's fees and to reimburse the Bank for any draws made on the Letter of Credit.

C. Issuers

1. Illinois Finance Authority (IFA)- may issue bonds for most types of conduit projects, but will generally defer to IHDA for housing bonds (subject to Illinois Finance Authority Act)

2. Illinois Housing Development Authority (IHDA)- may issue bonds for affordable housing projects (subject to Illinois Housing Development Authority Act)

3. Regional Authorities (UIRVDA, WKRDA, TCRVDA, EIEDA, SIEDA, SIDA, SWIDA, CIEDA, WIEDA, QCREDA)– may issue bonds for most types of conduit projects (subject to the specific authorizing act creating the authority)

4. Home rule units- may issue bonds for any public purpose

5. Non-home units may issue bonds for most conduit projects authorized under either Industrial Project Revenue Bond Act or Industrial Building Revenue Bond Act

II. <u>Small-Issue (Manufacturing) Industrial Development Revenue Bonds</u>

A. May only be used to finance capital costs of manufacturing facilities. At least 75% of the Bond proceeds must be used to finance “core” manufacturing facilities as opposed to ancillary facilities

B. May not be used for operating costs

C. Borrower, other principal users, and affiliates may not insure more than $20,000,000 of capital expenditures at the project (or other facilities in that municipality) over a 6-year period surrounding the Bond issuer date.

D. Generally, may only be used to finance costs incurred after (or within 60 days prior to) adoption by Issuer of an “inducement” (also called “preliminary” or “reimbursement” resolution) for the project

E. Generally, cannot be issued if borrower and affiliates have outstanding more than $40,000,000 of tax-exempt bonds for their benefit

F. No more than 25% of proceeds may be used to acquire land

G. May not be used to acquire existing buildings or equipment, except when at least 15% of the acquisition cost of the building is spent to rehabilitate the property within 2 years

H. Weighted average maturity of Bonds cannot exceed 120% of average economic life of assets financed.

I. bonds must be approved by an “applicable elected representative” following a public hearing which is preceded by public notice at least 14 days prior to the hearing.

J. Bonds require an allocation of “volume cap” equal to the principal amount of the Bonds.

III. 501(c)(3) Bonds

A. May generally only be used to finance capital costs for facilities which are owned by 501(c)(3) organizations or governmental units. Note not for profit organizations which are not 501(c)(3)s do not qualify.

B. Property must not be used in unrelated trade or business of 501(c)(3).

C. If 501(c)(3) borrower has entered into a management contract with respect to the property, the management contract must comply with certain revenue procedures of the IRS governing the fees of the management companies and the term of the contracts. For example, the contract may not provide for the payment of a fee based on the profits or net revenues of the facility.

D. If the property is leased by the 501(c)(3) to a different entity, either that entity must itself be a 501(c)(3) or the leased property must be excluded from the bond financing.

E. Bonds not subject to volume cap requirements.

F. Weighted average maturity of Bonds cannot exceed 120% of average economic life of assets financed.

G. bonds must be approved by an “applicable elected representative” following a public hearing which is preceded by public notice at least 14 days prior to the hearing.

IV. Other Private Activity Bonds

A. Exempt Facility Bonds – airports, port facilities, solid waste disposal facilities, sewage facilities, local furnishing of electric energy or gas.

B. Other Exempt Facility Bonds – residential rental (affordable housing), renewable energy.

C. Midwestern Disaster Area Bonds and Recovery Zone Facility Bonds.

Unlocking the Development Finance Toolbox

James Snyder

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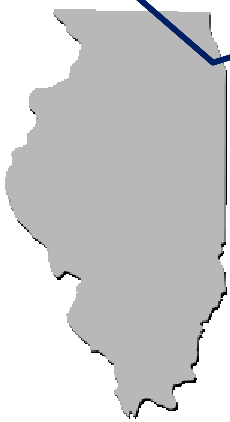
Ice Miller LLP
Chicago, IL



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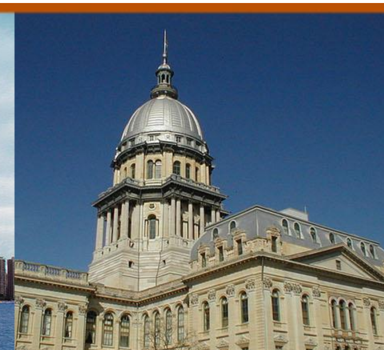

Illinois Financing Roundtable Webcast

December 10, 2012 1:00 C.S.T.

Combining Bonds and Leveraging TIF with Other Tools in Illinois

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(312) 726-7127

Combining Bonds and Leveraging TIF in Illinois with Other Tools

What existing vital tools can combine with Tax Increment Finance to fill gaps?

- While staggering budget challenges are confronting most communities in Illinois in 2012, the most determined leaders, cities/villages, authorities and developers are discovering innovative approaches for creating public/private partnerships and deploying creative strategies in connection with issuing bonds with tax increment finance and other tools to raise capital during these difficult times.

  Example: City has a $10 million project that would create jobs and spur economic development in City. City has created a TIF and entered into a redevelopment agreement with developer but adequate increment to sell a TIF Revenue Bond will likely not be created for several years. Discussions with Underwriter lead City to conclude there is a gap in funding or the rates without further support are too high to make the project feasible. What tools can local leaders combine with bonds to finance project?

Types of Useful Tools and Bonds in Illinois

Types of Tools:

- Tax Increment Finance
- New Markets Tax Credit
- Other Tax Credits
- USDA Loans / SBA Loans
- Business District
- Other Tools

Types of Bonds:

- Private Activity Bonds, which may be paid by and finance facilities used by nongovernmental users.
- TIF Revenue Bonds, which are issued by a governmental issuer to finance a project and use the future incremental tax increment from that project to repay the TIF Bonds.
- Other Local Government Bonds, which are issued by a governmental issuer to finance a project, but the issuer agrees to use other tax revenues to repay the Bonds.
  - General Obligation
  - Debt Certificates
  - Special Assessments
  - Alternate Revenue Bonds (Double–Barreled Bonds)
  - Other Revenue Bonds

Recent Illinois Examples of Issuing Bonds by Utilizing Tax Increment Finance and Other Tools with Additional Revenue Sources and Support

- TIF Revenue Bonds:
  - Port Revenue under TIF Act from contiguous TIF's to help start-up TIF project.
    - Gun store and shooting range.
    - Intermodal facility.
  - Alternative Revenue Bonds using TIF as primary revenue source and general obligation backup.
    - Assisted Living, Auto Dealership, Large National Retailers.
    - Infrastructure costs such as Roads, Water, Sewer.
    - Residential Housing.
  - City issues Debt Certificate enhanced by sales tax pledged from project to finance land costs for large national retailer located in Illinois Business District.
  - Bank purchased private activity bonds to finance mixed use facility with TIF benefits, NMTC, LIHTC and local Housing Authority assistance.

Summary

What are the options for a community that desires to create jobs and spur economic development?

- Create TIF District and utilize to encourage developers to invest in community.
- Today many projects have GAP in financing. What other tools should they use to narrow GAP and permit project to be accomplished?
  - Use New Markets Tax Credit or other Tax Credits to create equity.
  - Issue TIF Bonds, Alternate Revenue Bonds or other types of Conduit Bonds.
  - Consider other credits and programs to narrow GAP.
  - Combination of tools leads to successful projects.

Vital Tools and Resources

- **Are our vital tools going to be taken away?**
  - Federal proposals exist to take away Federal tax-exempt status of government bonds. This would cost communities 100-250 basis points (1 – 2.5%) on future borrowing costs.
  - While other states and countries are looking to responsibly expand vitals tools, certain members of legislative body in Illinois looking to restrict Tax Increment Finance.

Thank you.

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Unlocking the Development Finance Toolbox

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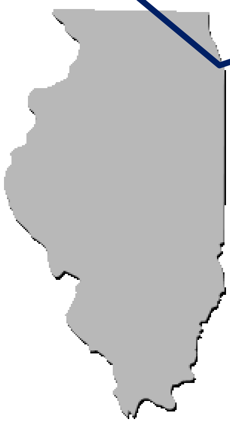

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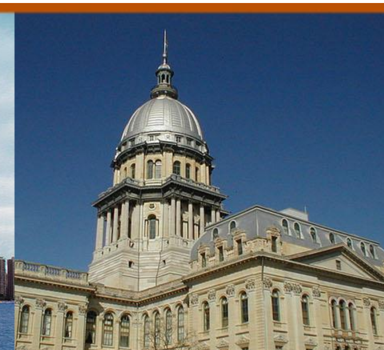


Financing of Brownfield Remediation

December 10, 2012

CDFA Illinois Financing Roundtable

Unlocking the Financing Toolbox

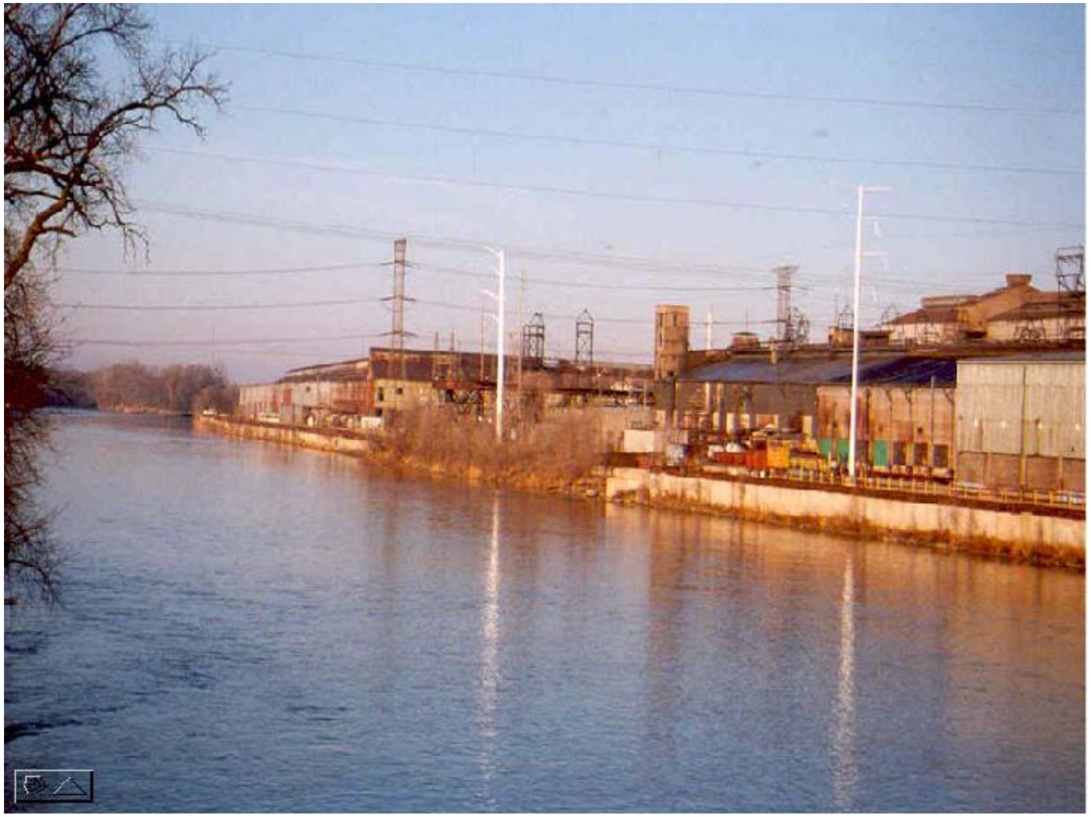
BRYAN CAVE

A Broader Perspective℠

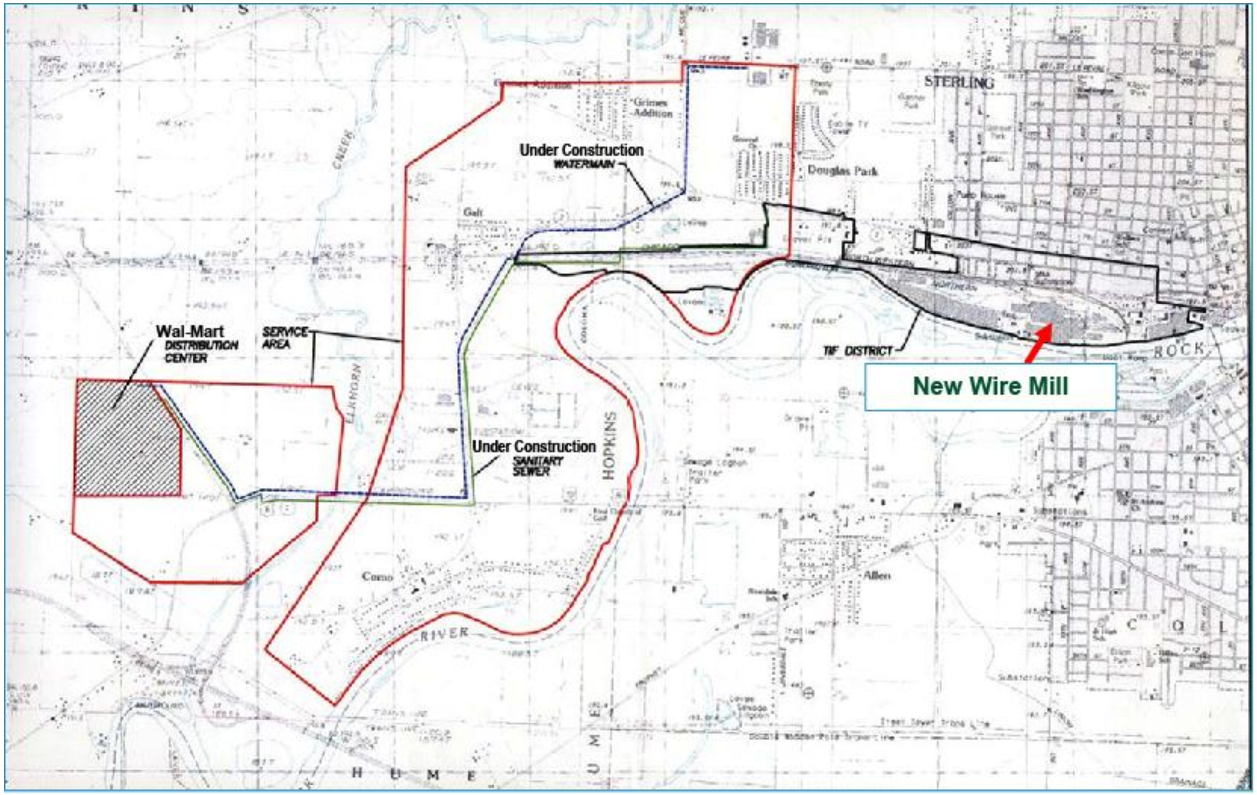
Local Economic Background

- Limited community growth
- Industrial and business sectors warning signs were appearing
- Rash of bankruptcy filings by local firms
- Layoffs at many local industries
- Closure of area's largest employer –resulting in loss of 1,500 jobs and insurance and retirement benefits for 9,000 retirees.

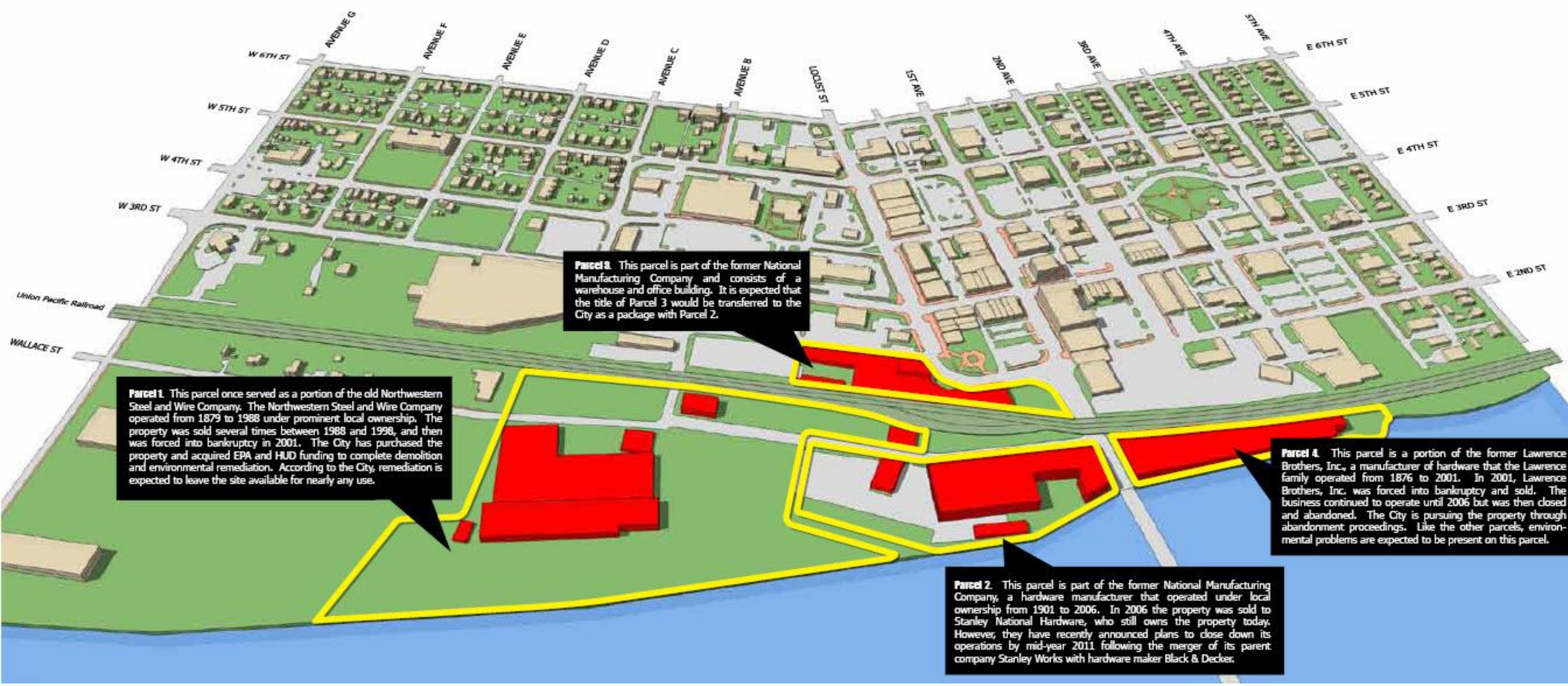
NWSW's Plant 1 & 2



3,000-acre economic development area



Riverfront redevelopment area



Riverfront Redevelopment Area-Plant 1

- Property bought out of NWSW estate by local operator for scrap.
- Poor condition including significant historical pollution worsened by lack of maintenance.
- City filed nuisance and related actions against owner which led to a settlement.
- Significant historical environmental conditions
  - historic steel mill issues
  - manufactured gas plant

Plant 1-Challenges

- Secure site
- Remediation of Known Contamination
  - Steel mill
  - Manufactured Gas Plant
- Coverage against Unknown Contamination
- Stabilizing and developing site

Types of Potential Funding for Redevelopment Projects

Loans/Grants

- EPA revolving loan funds
- EPA assessment and remediation grants
- EPA capitalized clean water revolving loan funds (priorities set/programs run by each state)
- State EPA storm water conservation grants/loans
- Community Development Block Grants and Business Development Public Infrastructure Program (CDBG and BDPIP)
- SBA, HUD and USDA loans and guarantees
- HUD’s Brownfield Economic Development Initiative (BEDI)
- HUD’s Community Development Block Grants (for projects locally determined)
- USDA community facility, business and industry grants

Tax incentives and tax-exempt financing

- Historic rehabilitation tax credits
- Low-income housing tax credits
- Industrial revenue bonds
- Energy efficiency construction credits
- New Markets Tax Credits

Tax-advantaged areas

- HUD/USDA Empowerment Zones
- HUD/USDA Enterprise Communities

Local (or locally implemented) Incentives/programs

- Tax Increment Financing (TIF)
- Enterprise Zones

Funding Solutions

Remediation:

- **City purchased the property for a nominal amount.**
- **Remediation for known conditions via a contract for NFR procurement as to known conditions- City funds and IEPA Brownfield RLF funds**
- **Procure environmental insurance against unknown conditions-TIF Funding**
- **Secure commitment from ComEd and Nicor regarding existing MGP facility-ComEd/Nicor**

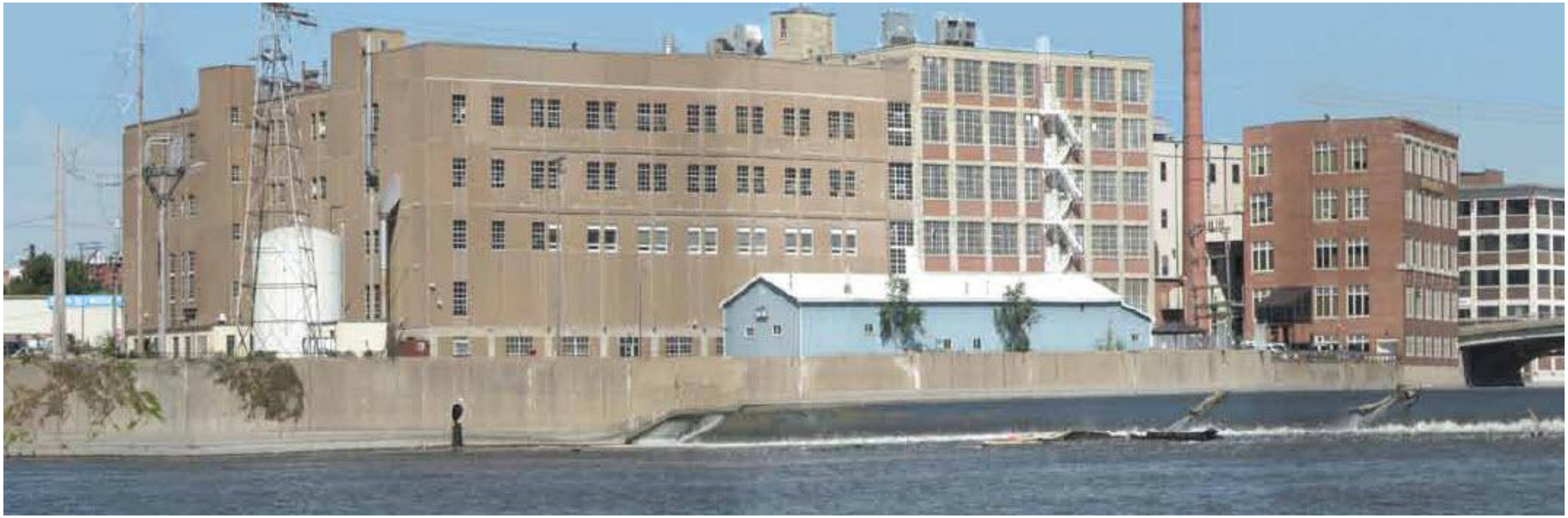
Stabilizing & Developing Site:

- **IEPA Stormwater Grants-IEPA**
- **Obtaining clean fill from Mud to Parks Program (to serve as a barrier in connection with NFR Procurement as well as base for future development)-IDNR**

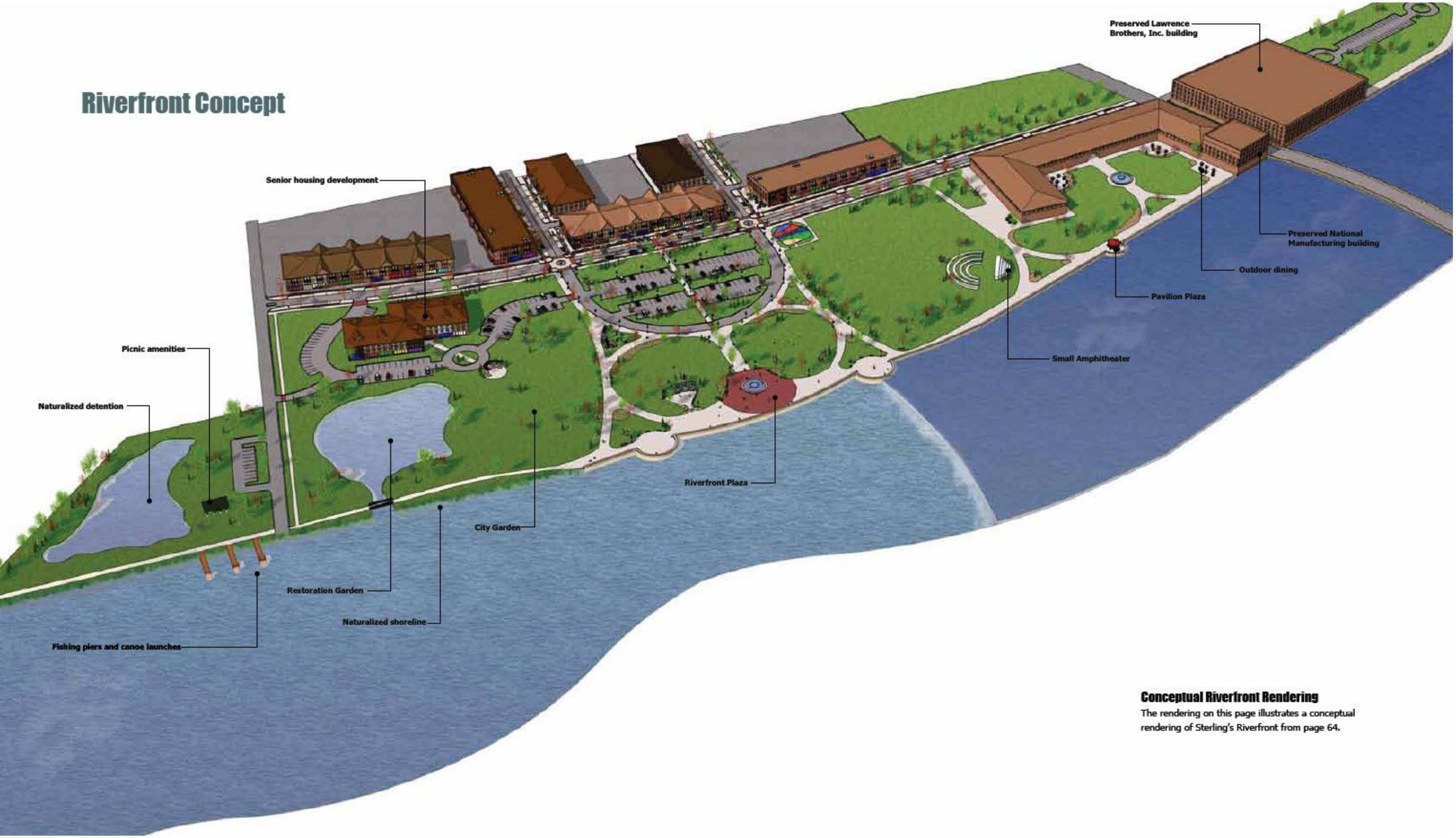
Future Funding Elements

- Tax Increment Financing
- Enterprise Zone Benefits (property abatements and tax credits)
- IEPA RLF and Grant programs
- HUD and USDA Loans and Guarantees
- Historic Tax Credits (related to adjacent site)

Next?



Riverfront Concept



Conceptual Riverfront Rendering

The rendering on this page illustrates a conceptual rendering of Sterling's Riverfront from page 64.

Riverfront Plaza

Riverfront Plaza Rendering

The rendering on this page illustrates the conceptual Riverfront Plaza from the Illustrative Development Concept on page 64. The Riverfront Plaza is envisioned to be the focal point of Riverfront Redevelopment efforts.

The Riverfront Plaza area presents opportunities for a Children's Garden, a Veterans Memorial, scenic overlooks, bike trails, harvested rainwater features, and a "green" parking lot. Redevelopment that occurs should have a strong orientation towards the Rock River and Riverwalk.

Unlocking the Development Finance Toolbox

Tony Smith

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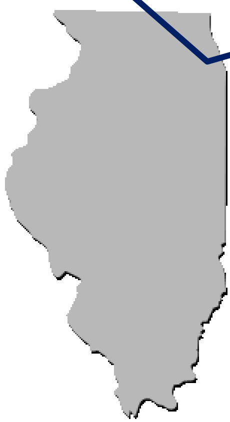

- **What are you reading these days?**

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Unlocking the Development Finance Toolbox: **New Markets Tax Credits**

Tony Q. Smith, *S. B. Friedman & Company*

December 10, 2012

SB Friedman
Development Advisors

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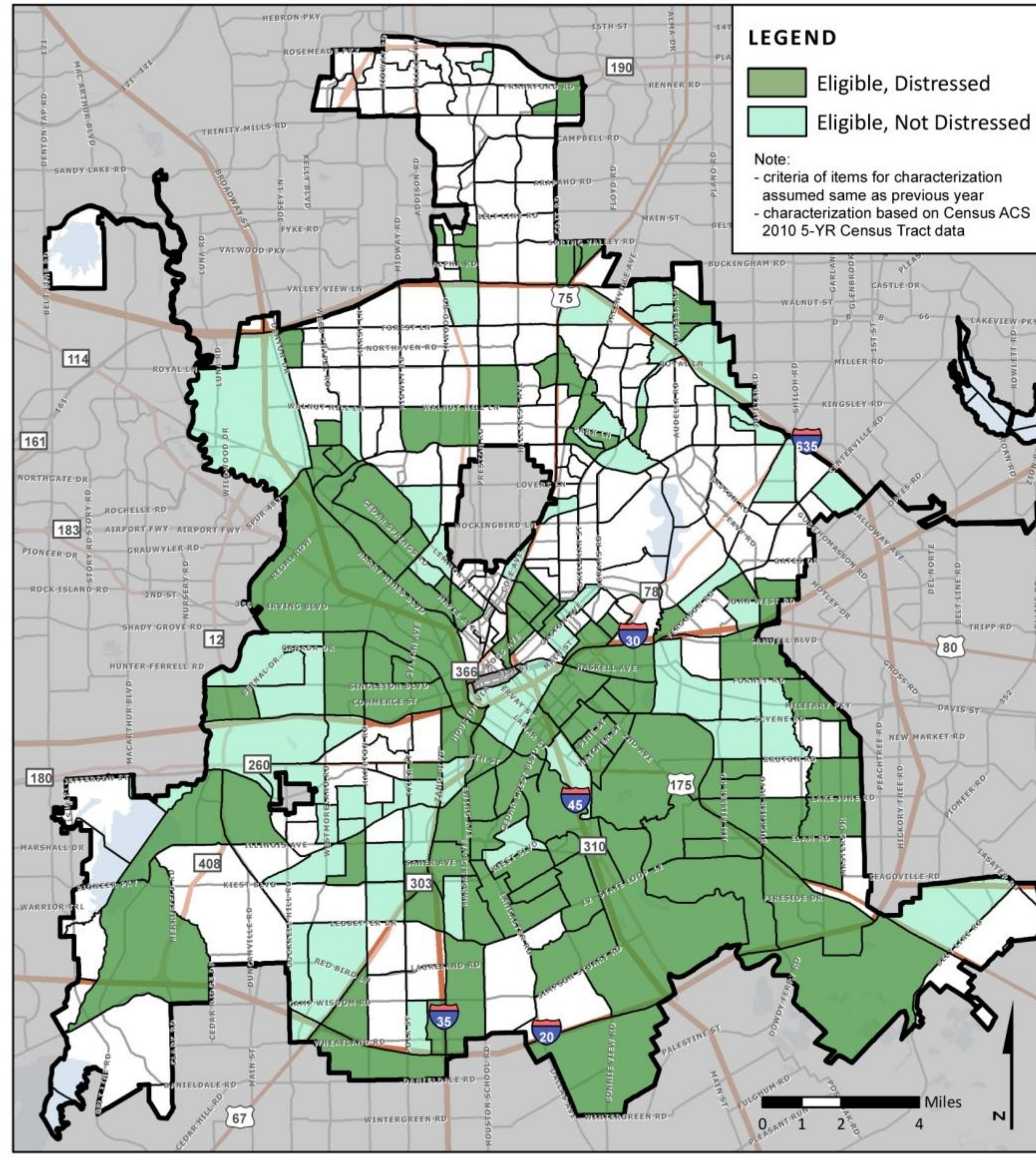
New Markets Tax Credits

- Administered by US Treasury but allocated to about 75 certified “community development entities” (CDEs) per year
- Very Flexible: supports industrial, community facility, commercial, mixed-use, investment in qualifying Low Income Census tracts
- Can also support direct loans/equity investments to operating businesses
- More limited applications for for-sale housing
- Net effect: boost available capital for community projects/businesses by about 15-20% (can be higher)
- Good potential to combine with other financing tools

NMTC: Areas of Eligibility

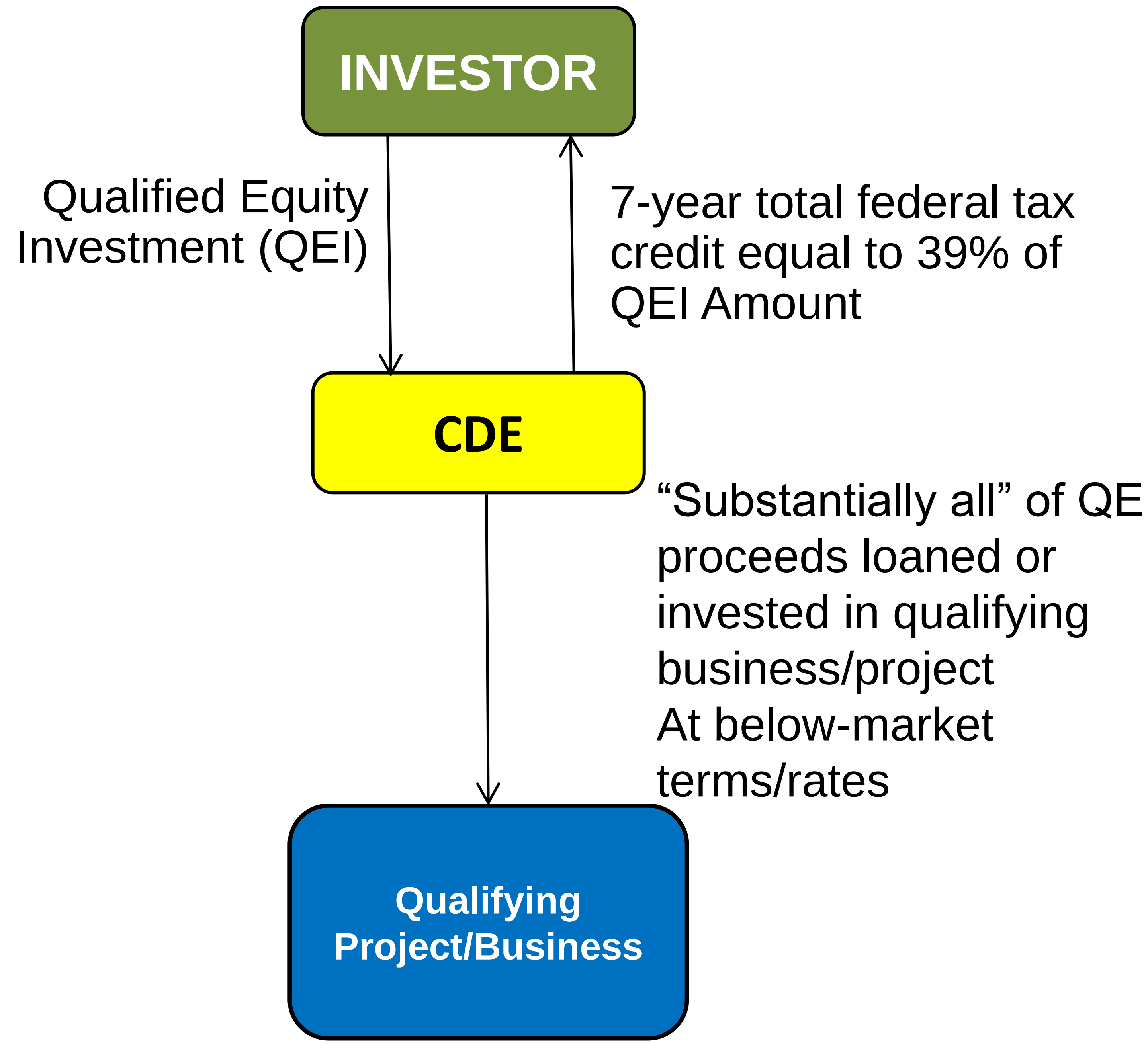
- In most cases, geographic qualification based on Census Tract
- Qualifying census tracts have < 80% of Area Median Family Income and/or poverty rate > 20%
- Greater Economic Distress: Census tracts with < 60% of AMI or poverty rate > 30% or unemployment rate at least 1.5 times the national average
- Other "zone-based" economic distress criteria apply



NMTC: General Capital Flow

The NMTC Investment

- US Treasury competitively allocates NMTC authority to CDEs
- Unlike LIHTC and HTC, tax credit triggered by investment in CDE as opposed to actual project
- Investor makes a capital contribution into a CDE
- CDE allocates 7-year tax credit to Investor
- Typical investors: Large banks within their CRA footprint



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NMTC: Typical "Leverage Model" Deal Structure

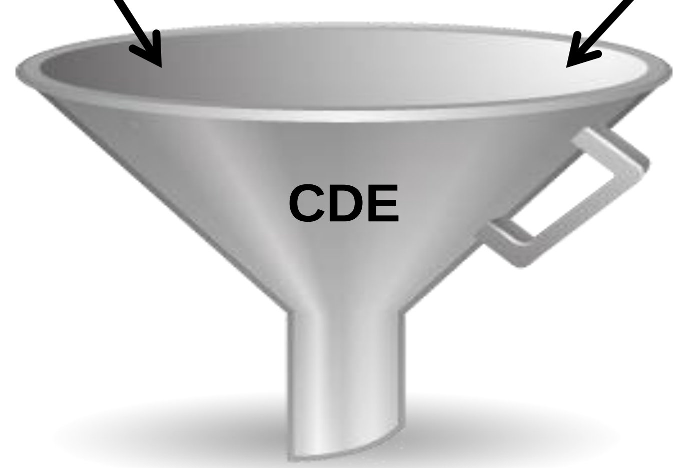
Capital the project was already able to obtain (Leverage Sources)

- Loaned to NMTC investor
- Used by NMTC Investor to make the full Qualified Equity Investment into the CDE

(About a 4:1 ratio of Leverage Sources to NMTC Equity)

"Matching funds" subsidy (NMTC Equity)

- Funded by NMTC Investor
- No cash repayment underwritten; return from tax credits



Increased financing available for project
(15-20% more than otherwise available)

Truong Enterprises- New Facility

- $10MM project – significant expansion of local minority-owned ethnic/specialty produce distributor
- 60,000sf facility represents 100% expansion of capacity
- Remediation of a brownfield site w/about $2MM in site compaction/cleanup
- Appraisal- below cost; limited available bank debt substantially
- NMTCs: $2MM in net additional capital to supplement available debt and equity
- Closed Oct 2011; Facility now complete and open

TRUONG ENTERPRISES, INC. 張氏果菜企業公司 Future Home of Truong Enterprises, Inc (Phase 1)
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Upcoming Events at CDFA

Intro Public-Private Partnership (P3) Finance WebCourse
Daily: 12-5 pm (EST)
December 12-13, 2012

Intro Bond Finance WebCourse
Daily: 12-5pm (EST)
January 29-30, 2013

Reshored Manufacturing Webinar Series
4-part series
February 13, 2013

Register online at www.cdfa.net

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Next Webcast

CDFA – Stifel Nicolaus Tax Increment Finance Webcast Series
Thursday, December 6, 2012 @ 1:00pm Eastern

CDFA Michigan Financing Roundtable Webcast
Monday, December 17, 2012 @ 1:00pm Eastern

CDFA – BNY Mellon Development Finance Webcast Series
Tuesday, December 18, 2012 @ 1:00pm Eastern

More information on webcasts in 2013 – coming soon

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For More Information

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