

# CDFA Financing Roundtable Webcast: Unlocking the Development Finance Toolbox in Texas

The Broadcast will begin at 12:00pm CDT (1:00pm EDT).

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

**Intro Revolving Loan  
Fund WebCourse**



May 8-9, 2013  
Daily: 12-5pm (EDT)

**Intro Public-Private  
Partnership (P3)  
Finance Course**



August 6-7, 2013  
Washington, DC

**CDFA National  
Development Finance Summit**



August 6-9, 2013  
Washington, DC



**A specialized state initiative of the Council of Development Finance Agencies**

# Unlocking the Development Finance Toolbox

**Toby Rittner**

**President & CEO**

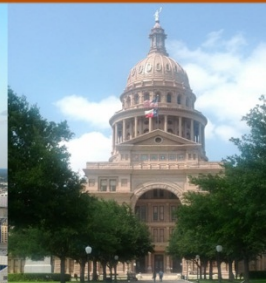
**Council of Development Finance Agencies**

**Columbus, OH**



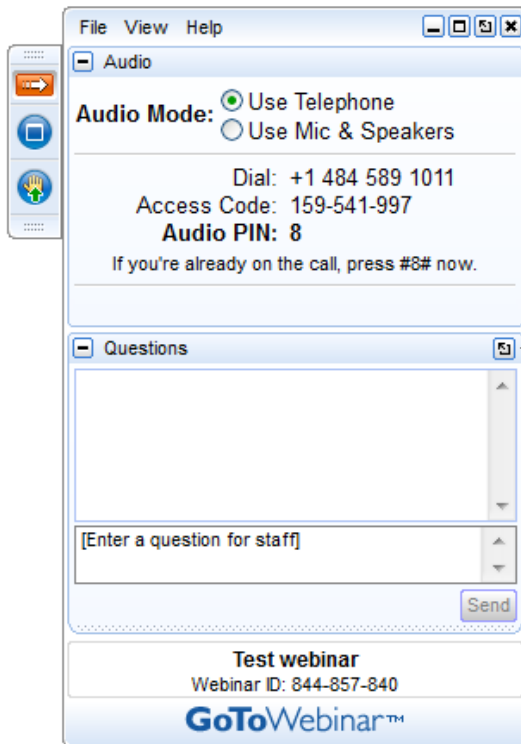
■ **Are you a CDFA Member?**

Members receive exclusive access to thousands of resources in the CDFA Online Resource Database. Join today at [www.cdfa.net](http://www.cdfa.net) to set-up your unique login.



A specialized state initiative of the Council of Development Finance Agencies

# 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](http://www.cdfa.net).



A specialized state initiative of the Council of Development Finance Agencies

# Unlocking the Development Finance Toolbox

## Speakers

**Seth Crone**, *Moderator*  
The Bank of New York Mellon

**Barry Friedman**  
Carlyle Capital Markets, Inc.

**Phyllis Schneider**  
Tyler Economic Development Council

**Mary Scott Nabers**  
Strategic Partnerships, Inc.

**David Hawes**  
Hawes Hill Calderon LLP



A specialized state initiative of the Council of Development Finance Agencies

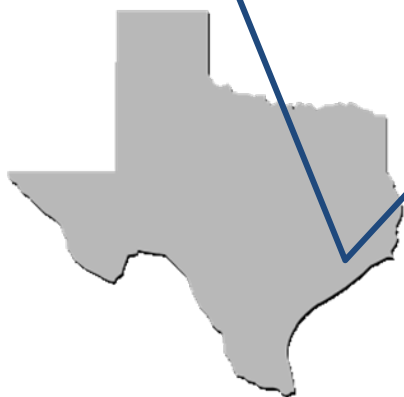
# Unlocking the Development Finance Toolbox

**Seth Crone**

**Vice President**

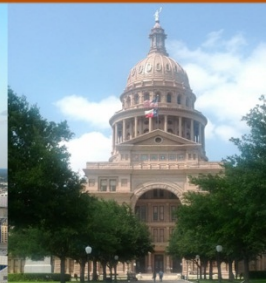
**The Bank of New York Mellon**

**Houston, TX**



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

Your development finance toolbox isn't complete without a set of CDFA reference guides. CDFA Members save 15% or more on every purchase. Order today at [www.cdfa.net](http://www.cdfa.net).



A specialized state initiative of the Council of Development Finance Agencies

# Unlocking the Development Finance Toolbox

**Toby Rittner**

**President & CEO**

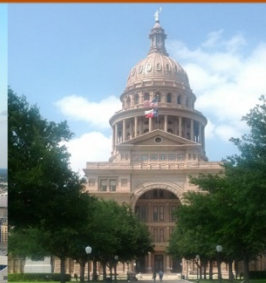
**Council of Development Finance Agencies**

**Columbus, OH**



■ **Are you a CDFA Member?**

Members receive exclusive access to thousands of resources in the CDFA Online Resource Database. Join today at [www.cdfa.net](http://www.cdfa.net) to set-up your unique login.



A specialized state initiative of the Council of Development Finance Agencies

# CDFA Texas Financing Roundtable

## Unlocking the Development Finance Toolbox



April 24, 2013

Toby Rittner  
President & CEO



[www.cdfa.net](http://www.cdfa.net)

# 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 – Nearly 4,000 online resources through our various libraries and database.
- Networking – 320 member organizations throughout the country, 21,000 person network,- join today!



[www.cdfa.net](http://www.cdfa.net)



# *Understanding Development Finance*



[www.cdfa.net](http://www.cdfa.net)

# 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.



[www.cdfa.net](http://www.cdfa.net)

# 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.



[www.cdfa.net](http://www.cdfa.net)

# 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



[www.cdfa.net](http://www.cdfa.net)

# 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



[www.cdfa.net](http://www.cdfa.net)

# 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?**



[www.cdfa.net](http://www.cdfa.net)

# 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)



[www.cdfa.net](http://www.cdfa.net)

# 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



[www.cdfa.net](http://www.cdfa.net)



# 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?



[www.cdfa.net](http://www.cdfa.net)

# 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



[www.cdfa.net](http://www.cdfa.net)

# *Building the Development Finance Toolbox*



[www.cdfa.net](http://www.cdfa.net)

# 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.



[www.cdfa.net](http://www.cdfa.net)

# 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



[www.cdfa.net](http://www.cdfa.net)

# 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.



[www.cdfa.net](http://www.cdfa.net)

# 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



[www.cdfa.net](http://www.cdfa.net)

# 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



[www.cdfa.net](http://www.cdfa.net)

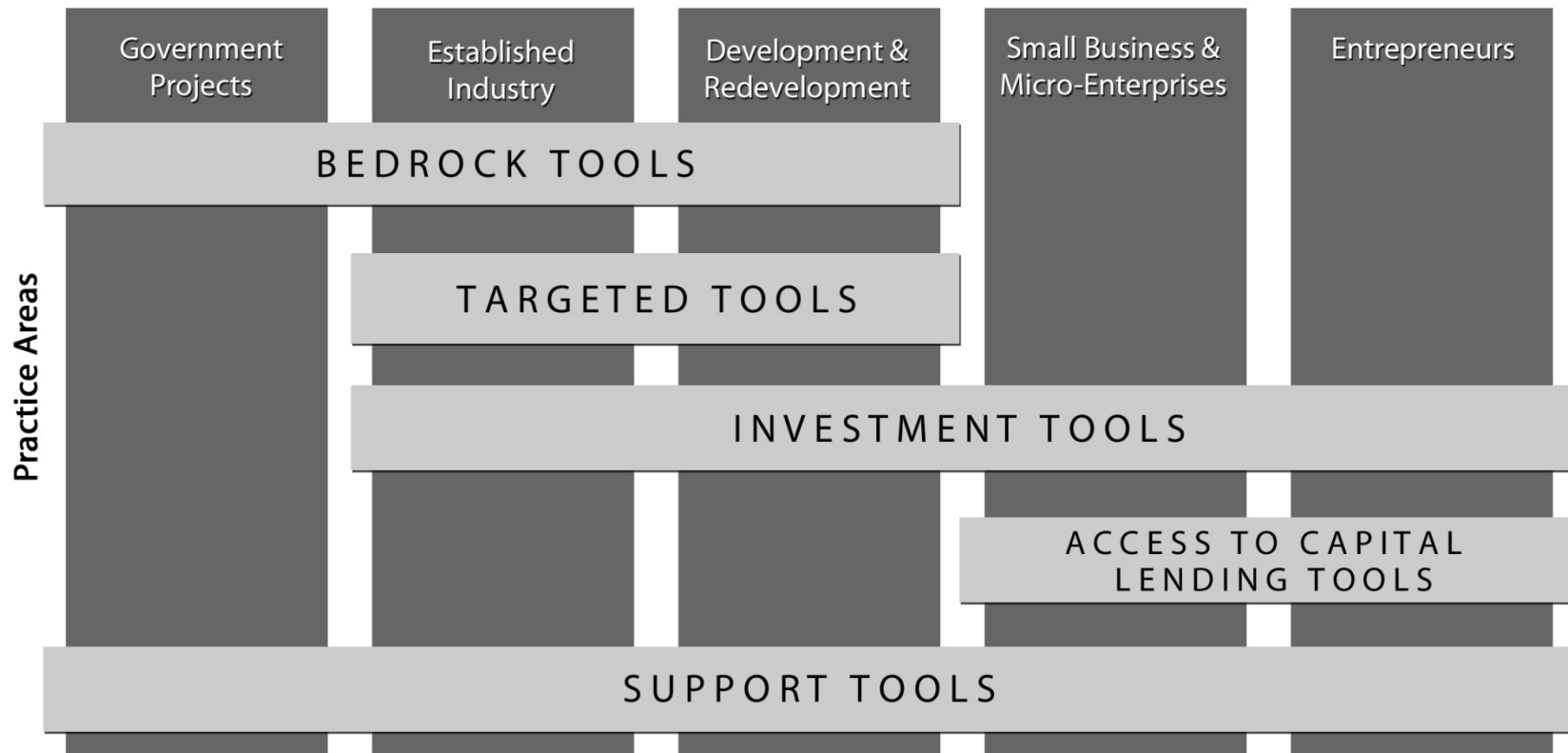


# Development Finance Spectrum



## Development Finance SPECTRUM

### Types of Financings



From the *Practitioner's Guide to Economic Development Finance*

# 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!



[www.cdfa.net](http://www.cdfa.net)

# *Post-Recession Economic Development Finance*



[www.cdfa.net](http://www.cdfa.net)

# 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



[www.cdfa.net](http://www.cdfa.net)

# 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



[www.cdfa.net](http://www.cdfa.net)

# 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



[www.cdfa.net](http://www.cdfa.net)

# 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



[www.cdfa.net](http://www.cdfa.net)



# Resources

- Over 3,800 online resources with dozens of categories and subcategories
- Designated resource centers to help break down some of the complexity

- About CDFA
- Membership
- Training Institute
- Legislative Affairs
- National Summit
- Resources & Research
- Advisory Services
- TIF Coalition
- Webcasts
- Bookstore
- Perspectives Magazine
- Newsletter

Join CDFA

Renew Your Membership

FOLLOW US ON 

#### CDFA Upcoming Events

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

CDFA SBCI 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.



# Resource Centers

**cdfa**  
Council of Development Finance Agencies

Advancing Development Finance Knowledge, Networks & Innovation

**Revolving Loan Fund Resource Center**

**RLF Resources**

- >>> Understanding Revolving Loan Funds
- >>> RLF Lending Policies, Criteria & Conditions
- >>> RLF Marketing Examples
- >>> RLF Sample Applications
- >>> RLF Case Studies

>>> ADVANCED SEARCH

**CDFA Original Research**

**How the Tool Works: Revolving Loan Funds**  
This CDFA "How the Tool Works" profile addresses revolving loan funds (RLFs), which use interest and...

**DF Perspectives 3: Tips for Managing Your RLF Program**  
This article providing fund capitalization, RLF committee, program marketing, and loan servicing tips for...

>>> MORE CDFA RESEARCH

**Federal RLF Resources**

- >>> EDA RLF Grant Program
- >>> EPA RLF Grants
- >>> CDFA Federal Financing Clearinghouse

>>> ADVANCED SEARCH

**RLF Program Profiles**

**Featured Program**

**Facade Improvement Program**

**Managing Organization**  
Downtown Tuscon Partnership

**Capitalization Source(s)**  
Private, Local

**Loan Terms**  
15 years

**Loan Rates**  
0%

>>> RLF Programs  
>>> Submit Your RLF  
>>> All RLF Resources

**Compare All States**

**RLF Applications**

**CDFA Revolving Loan Fund Resource Center**  
The CDFA Revolving Loan Fund Resource Center is a one-stop hub for all of the resources, reports, headlines,...

**Salt Lake City Business Revolving Loan Fund Application** Login  
This is the complete application form for the Salt Lake City Business Revolving Loan Fund. Elements include...

**National Sponsors**  
Bank of America Merrill Lynch

CDFA Member Login

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

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

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

**cdfa**  
Council of Development Finance Agencies

Advancing Development Finance Knowledge, Networks & Innovation

**Bond Finance Resource Center**

**Bond Finance Resources**

- >>> Understanding Bonds
- >>> Bond Volume Cap
- >>> Bond Deal Structuring
- >>> Bond Credit Enhancement
- >>> Investing Bond Proceeds
- >>> Bond Rating Agencies
- >>> Bond Swaps & Derivatives
- >>> Advance Refundings
- >>> Auction Rate Securities
- >>> Bond Arbitrage & Rebate
- >>> Bond Insurance
- >>> Bond Program Marketing Examples
- >>> Bond Banks
- >>> Federal Home Loan Bank Letter of Credit (LOC)
- >>> MSRB's EMMA Muni Disclosures & Market Data

>>> ADVANCED SEARCH

**Types of Bonds**

- >>> Industrial Development Bonds (IDBs)
- >>> 501(c)(3) Bonds
- >>> Exempt Facility Bonds
- >>> TIF Bonds
- >>> Aggie Bonds
- >>> Green Bonds
- >>> New Clean Renewable Energy Bonds (New CREBS)
- >>> Property Assessed Clean Energy Bonds (PACE)
- >>> Qualified Energy Conservation Bonds (QECBs)
- >>> Qualified School Construction Bonds (QSCBs)
- >>> Qualified Zone Academy Bonds (QZABs)
- >>> Enterprise Zone Bonds

>>> ADVANCED SEARCH

**Want more bond finance?**

**cdfa** SUBSCRIBE

**The Bond Market**

**Interest Rate Risk Management**  
Key Bank | Oct. 23

**Interest Rate Market Insight**  
Cardea Partners | Oct. 22

**Municipal Bond Market Note**  
Janney Capital Markets | Oct. 19

**Capital Markets Weekly Update**  
Wye River Group | Oct. 19

>>> MORE MARKET REPORTS

**IRS Guidance & Resources**

**IRS Guidance: Qualified Energy Conservation Bonds** Login  
This guidance from the Internal Revenue Service provides detailed information on the use of Qualified Energy...

**IRS: Your Responsibilities As A Conduit Issuer of Tax-Exempt Bonds** Login  
Internal Revenue Service Publication 5005 provides an overview for state and local governments of the...

>>> MORE IRS Guidance & Resources

**National Sponsors**  
BNY MELLON

About CDFA  
Membership  
Training Institute  
Legislative Affairs  
National Summit  
Resources & Research  
Advisory Services  
TIF Coalition  
Webcasts  
Bookstore  
Perspectives Magazine  
Newsletter

**Join CDFA**

**Renew Your Membership**

**FOLLOW US ON**

**CDFA Upcoming Events**

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

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

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

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

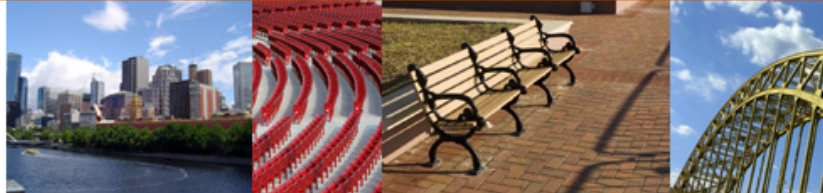
CDFA - Stern Brothers Renewable Energy Finance Webcast Series: Digging into the Ugly Side of Renewable Energy Finance



www.cdfa.net

# CDFA Federal Financing Clearinghouse

CDFA Member Login



## National Sponsors



Advancing Development Finance Knowledge, Networks & Innovation

About CDFA

Membership

Training Institute

Legislative Affairs

National Summit

Resources & Research

Advisory Services

TIF Coalition

Webcasts

Bookstore

Perspectives Magazine

Newsletter

Join CDFA

Renew Your Membership

FOLLOW US ON **Twitter**

CDFA Upcoming Events

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



## CDFA Federal Financing Clearinghouse

An online searchable clearinghouse of federal economic development finance programs.

CDFA's **Federal Financing Clearinghouse** is the only online resource cataloging the development finance programs offered by the federal government. The Clearinghouse includes program overviews of over 100 federal financing programs available to both public and private sector users.

This is an exclusive CDFA member benefit. Users must log-in with their unique CDFA username and password to search the Clearinghouse.

Search By Agency

Search By Program

Search By Financing Category

Search By Keyword

Enter your username and password to login.

**Username**

[Forgot your username?](#)

**Password**

[Forgot your password?](#)

**Login**

[Create username and password.](#)

# CDFA Federal Financing Clearinghouse

- About CDFA
- Membership
- Training Institute
- Legislative Affairs
- National Summit
- Resources & Research
- Advisory Services
- TIF Coalition
- Webcasts
- Bookstore
- Perspectives Magazine
- Newsletter

[Join CDFA](#)  
[Renew Your Membership](#)

FOLLOW US ON [Twitter](#)

**CDFA Upcoming Events**

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



## 504 Loan Program

<b>Program Agency</b>	U.S. Small Business Administration (SBA)
<b>Financing Category</b>	Access to Capital Community Development Urban Development
<b>Financing Type</b>	Direct Loan
<b>Program Overview</b>	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• A loan secured from a private sector lender with a senior lien covering up to 50 percent of the project cost;</li> <li>• 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</li> <li>• A contribution from the borrower of at least 10 percent of the project cost (equity).</li> </ul> <p>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.</p>
<b>Eligible Users</b>	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.

<b>Eligible Project Types</b>	<p>504 loans must be used for fixed asset projects such as:</p> <ul style="list-style-type: none"> <li>• The purchase of land, including existing buildings;</li> <li>• The purchase of improvements, including grading, street improvements, utilities, parking lots and landscaping;</li> <li>• The construction of new facilities or modernizing, renovating or converting existing facilities; or</li> <li>• The purchase of long-term machinery and equipment.</li> </ul> <p>The 504 Program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing.</p>
<b>Special Notes</b>	
<b>How to Apply</b>	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.
<b>Website &amp; Contact Information</b>	<a href="http://www.sba.gov/content/cdc504-loan-program">http://www.sba.gov/content/cdc504-loan-program</a>

[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**



# CDFA State Financing Roundtable

- OH, PA, MI, IL, GA, TX, CA, and OR coming soon
- Newsletters
- Webcasts
- State Conference
- Resource/Research Center
- Networking



The screenshot shows the website for the CDFA Ohio Financing Roundtable. At the top left is the CDFA logo. Below it is a navigation menu with links: About CDFA, Membership, Training Institute, Legislative Affairs, National Summit, Resources & Research, Advisory Services, TIF Coalition, Webcasts, Bookstore, Perspectives Magazine, and Newsletter. A 'Join CDFA' button and a 'Renew Your Membership' button are also present. Below the navigation is a 'Follow Us On' section with social media icons. The main content area features a header with the text 'Advancing Development Finance Knowledge, Networks & Innovation' and a sub-header 'A specialized state initiative of the Council of Development Finance Agencies'. The main text describes the roundtable's mission: 'The CDFA Ohio Financing Roundtable is dedicated to developing a sustainable economic development finance industry for the state of Ohio. A collection of CDFA members and finance leaders from across the state, the Roundtable brings together the Ohio development finance industry through education, news and research.' Below this is an 'Upcoming Events' section with a notice about a webcast being developed for later in 2012. An 'Annual Roundtable Sponsors' section lists several sponsors: Bricker & Eckler, Frost Brown Todd, ICE MILLER, KeyBanc Capital Markets, PNC Capital Markets, ROETZEL & ANDRESS, and STIFEL NICOLAUS. At the bottom, there are two columns: 'Ohio Resources' and 'Ohio News'. The 'Ohio Resources' column lists 'Detroit/Wayne County Port Authority: PA 639 of 1978 Enhancements' and 'Local Finance Program | Bond Finance | State Finance Program'. The 'Ohio News' column lists 'Travel Plaza Planned to Catalyze Redevelopment Area' and 'City Approves Loan for Downtown Rehab Project'.

# Contact CDFA

Toby Rittner, DFCP, EDFP  
President & CEO  
trittner@cdfa.net

Council of Development Finance Agencies  
85 E. Gay Street, Suite 700  
Columbus, OH 43215



[www.cdfa.net](http://www.cdfa.net)

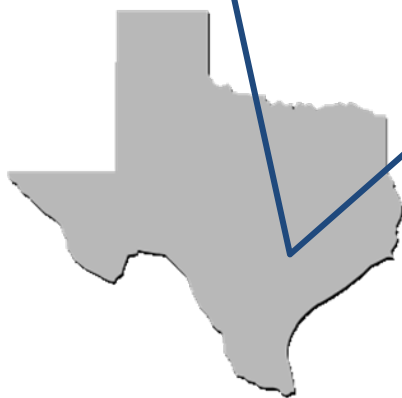
# Unlocking the Development Finance Toolbox

**Mary Scott Nabers**

**President & CEO**

**Strategic Partnerships, Inc.**

**Austin, TX**



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

Your development finance toolbox isn't complete without a set of CDFA reference guides. CDFA Members save 15% or more on every purchase. Order today at [www.cdfa.net](http://www.cdfa.net).



A specialized state initiative of the Council of Development Finance Agencies



# Public-Private Partnerships

*Expanding the public sector toolkit*

**Strategic Partnerships, Inc.**

For more information contact us at:

(512) 531-3900

[www.spartnerships.com](http://www.spartnerships.com)





# Challenges

*The U.S. faces massive infrastructure needs & funding gaps.*

Estimated Needs & Funding Gap Through 2020

Infrastructure Type	Total Needs (in billions)	Funding Gap (in billions)
Surface Transportation	\$1,723	\$846
Water/Wastewater	\$126	\$84
Airports	\$134	\$39
Hazardous & Solid Waste	\$56	\$46
Schools	\$391	\$271

Source: ASCE 2013 Report Card for America's Infrastructure

*Economic prosperity will languish if critical needs are ignored.*



# Where we are in Texas

## Stressors:

Population Growth

Oil & Gas Industry

Persistent Drought

## Highest priority infrastructure needs:

Water/Wastewater

Surface Transportation

Healthcare

K-12 Facilities

Higher Ed Facilities



# Financing methods

Traditional (pay as you go, issue debt)

Special Taxes (TIF, 4A/4B)

Economic Development Agreements

Revolving Loan Programs

EB5 Funds

Public-Private Partnerships

*Traditional financing methods will not meet our infrastructure needs.  
Public officials seek alternate financing options.*



# What exactly is a P3?

*A contractual agreement between a public agency and a private sector entity.*

## Characteristics:

Different models provide flexibility

Skills/assets of partners are shared

Partners share risk/reward

Private partner provides capital & assumes majority of risk



# P3s offer benefits to both partners

To Public Sector	To Private Sector
Provides needed capital	Long-term ROI with trusted partner
Critical projects can begin sooner	Opportunities often large in size & scope
Monetize non-revenue producing assets	Expertise allows costs to be minimized
Reduce service cost	Contribute to “greater good”
Transfer risk to private partner	



# Calculating public project costs

## Costs calculated - traditional vs. P3s

Costs	Traditional	P3
Capital expenditures	✓	✓
Design & construction	✓	✓
Maintenance & operations	Sometimes	✓
Utilities & energy	Sometimes	✓
Lifecycle refurbishment	Sometimes	✓
Risk	Rarely	✓



# Common misconceptions

*Commonly held misconceptions about P3s create barriers for successful implementation.*

Same as privatization/outsourcing	Results in loss of public sector jobs
Government loses control of services	Only apply to transportation projects
Only for new projects	More expensive than traditional financing



# Greatest threats to P3s

*Many obstacles must be overcome in order to create a more receptive environment for P3s.*

Reluctance to lead	Fear of risk	Lack of understanding
Complicated models	Cultural differences	Few guidelines
Negative media attention	Political interference	





# What public officials & private partners want from each other

Public officials want potential P3 partners to...	Private sector partners want public officials to...
Share expertise during planning	Carefully select & evaluate projects
Understand issues facing public sector	Hire outside P3 expertise
Ask questions until a clear understanding	Commit before engaging potential partners
Accept transparency mandates	Understand private partner requirements
Not ask for/expect unrealistic profit margins	Provide as much information as possible
Compete fairly & ethically	Write financially sound & clear solicitations
	Not change rules once the process starts



# Current status of P3s in Texas

State Capitol Complex projects on hold

State can move forward on its other property

Abundance of P3 interest at local levels

Opt-in process being clarified

*Texas needs to initiate more successful P3s that encourage other large public projects.*



# You can help

*P3s are moving too slowly in many states. You can help because you...*

Understand public sector issues & needs

Care about the outcome

Realize the consequences of inaction

Are willing to get involved & explore innovative solutions



# What needs to happen?

*Acceptance of a new concept requires patience. However, the following areas need immediate focus:*

Public education & engagement

Understand & respect cultural differences

Open & honest discussions

Sharing of experiences & expertise



# We have everything to gain

*If we can overcome the challenges to P3s...*

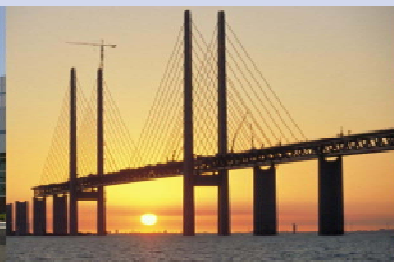
Governments can advance critical projects

Private capital can get a fair ROI

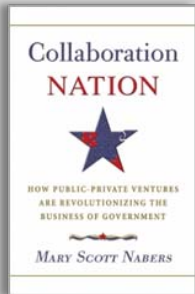
Economy will be stimulated & jobs created

Citizens will benefit through better service delivery

Government will benefit from innovation, creativity & new revenue



# Mary Scott Nabers



In her new book, *COLLABORATION NATION*, author Mary Scott Nabers draws on her long career - as an entrepreneur, a decade as a Texas state official and 16 years advising Fortune 100 companies - to show how this market works, how to identify opportunities and what it takes to be successful collaborating with government.



Strategic Partnerships, Inc. (SPI) is a full-service government affairs and procurement consulting firm. SPI teams work with clients throughout the United States to win government contracts and meet other public sector objectives.



Gemini Global Group (G3) national consulting firm with offices in Washington, D.C. and Austin, Texas. We serve our clients by focusing on business development and political guidance, and our goal is to ensure our clients reach their full business potential.

# Unlocking the Development Finance Toolbox

**Phyllis Schneider**

**Vice President of Finance**

**Tyler Economic Development Council**

**Tyler, TX**



■ **Need assistance with your development finance programs?**

Consider CDFA's Research & Advisory Services – offering customized and tailored technical assistance for all of your development finance needs. Learn more at [www.cdfa.net](http://www.cdfa.net).



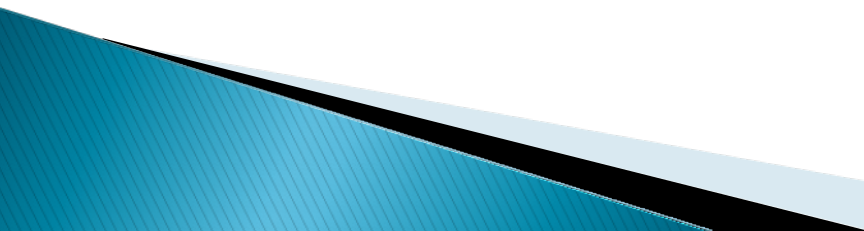
A specialized state initiative of the Council of Development Finance Agencies

# Economic Development Programs & Tools

Phyllis Schneider  
Tyler Economic Development Council  
April 24, 2013



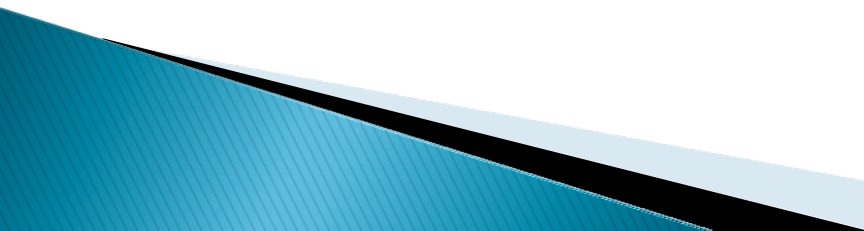
# Partnerships

- All incentive programs are built on trust
  - Trust is built as ED professional works with, gets to know local officials—makes this a priority
  - ED professional stays focused on mission statement, goal of creating/retaining jobs
  - ED professional maintains integrity, gives credit to others for their support and involvement, puts them in the limelight
- 

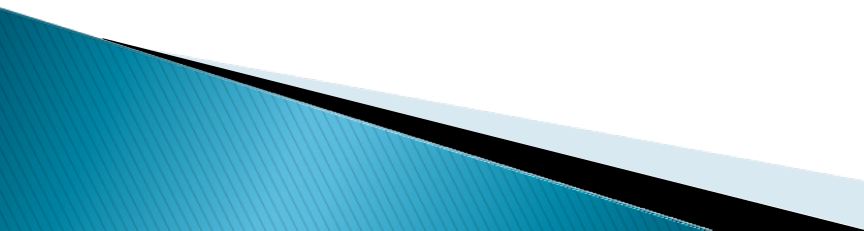
# Revolving Loan Fund




# Smith County Revolving Loan Fund

- Created with \$500,000 grant from U.S. Department of Commerce Economic Development Administration in 1992
  - Loaned \$3.13MM – 29 loans to 25 different cos.
  - Loan size from \$40,000 to \$250,000
- 

# Smith County Revolving Loan Fund

- Eligible: primary employers — product sold outside region – grow the local economic base
  - Example of borrowers – manufacturer of utility trailers, air conditioning coils, treadmills, motorcycle conversion kits, livestock drugs, bucket rigging for mining equipment, sport bags; food processor, computer software designer, website designer, educational materials developer, printer
  - RLF Plan requires primary lender. Have partnered with 11 banks and 2 investor groups
- 

# Why Have a Loan Program?

- Uses economic development tool to create jobs
  - “Grow our own”
  - Provides another source of funding for small businesses
  - Provides a revenue stream for your EDC
  - Develops relationships and connections with community, lenders
- 


# Tyler's Loan Program

- No prepayment penalty
- Payment satisfies interest first; balance to principal – we use Portfolo loan acct software
- Fixed rate, fixed term
- Examples of flexibility:
  - ❖ Interest only for a period
  - ❖ Can finance start-ups, W/C, equipment, inventory, building purchase
  - ❖ 3-year note with 20-year amortization

# Goal – Job Creation and Retention

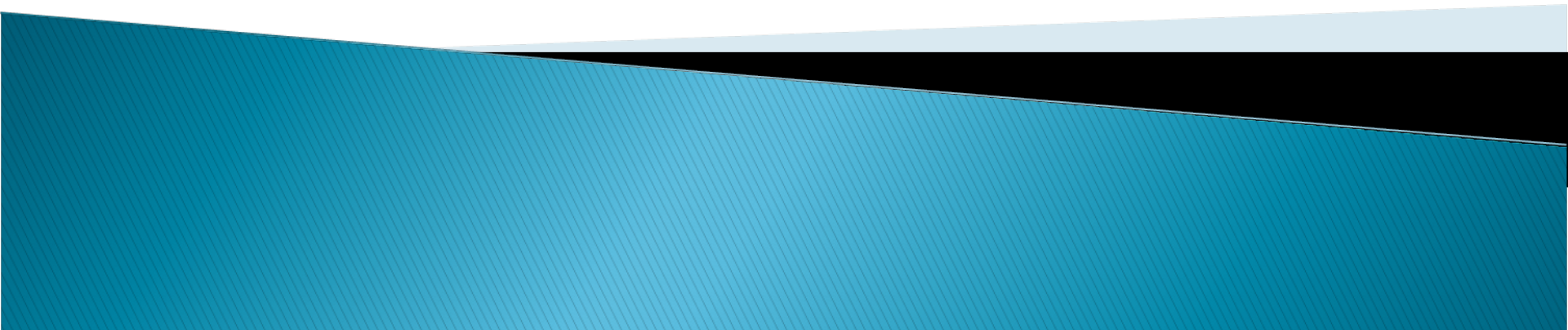
- Ideal candidate – primary company planning an expansion, adding a new production line or piece of machinery

# Areas for Discussion

- New technology = more productivity, higher profits, fewer employees, more competitive  
Goal of 1 job created per \$7500 loaned may not be feasible
  - Currently make loans only in our county  
Consider adding other counties with no access to RLFs
  - Time intensive; staff available? SBDC and SCORE support?
  - How to market – repaid loans are great; builds the amount of capital available to lend; but EDA allows no more than 25% of available funds on hand in 2 consecutive 6-month reports
  - Required equity injection – what about established business with retained earnings – 10%? 20%? follow SBA guidelines?
- 



# Tax Increment Financing A Very Versatile Tool



# How can we incentivize a 1.7 million square foot distribution center?

B  
E  
F  
O  
R  
E



# How can we incentivize a 1.7 million square foot distribution center?

A  
F  
T  
E  
R



# How can we provide training for high-paying jobs?

B  
E  
F  
O  
R  
E



# How can we provide training for high-paying jobs?

A  
F  
T  
E  
R



# How can we develop an industrial/business park?

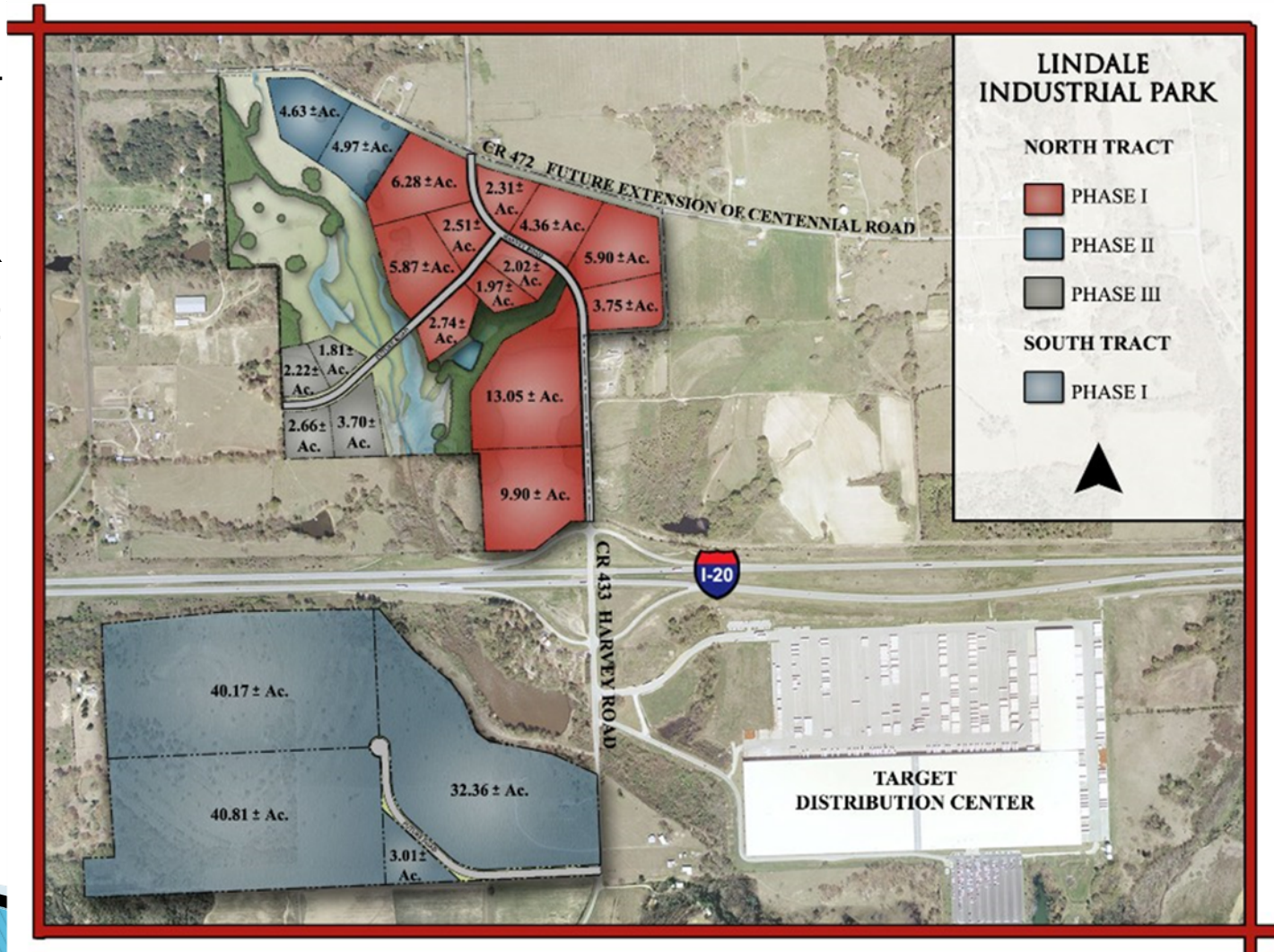
B  
E  
F  
O  
R



# How can we develop an industrial/business park?

L  
I  
N  
D  
A  
L  
E

T  
I  
R  
Z



# How can we develop an industrial/business park?

A  
F  
T  
E  
R





# How can we provide affordable housing?

B  
E  
F  
O  
R  
E



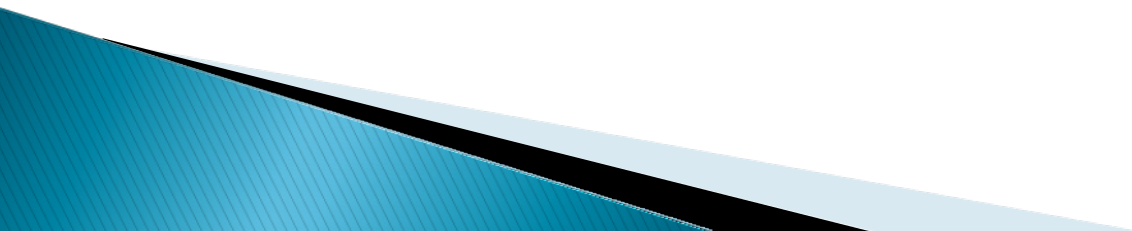
# How can we provide affordable housing?

A  
F  
T  
E  
R

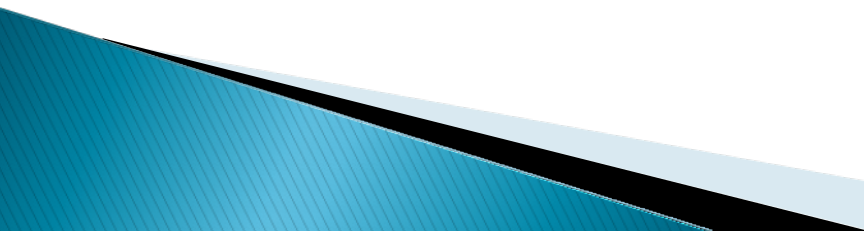


# So when would I use tax increment financing?

TIF is a versatile tool because it can be used:

- to incentivize a new manufacturing plant or distribution center
  - to build a state-of-the-art building for skills training
  - to generate revenue to develop a business park
  - to help a developer provide affordable housing
  - to revitalize a distressed area
- 

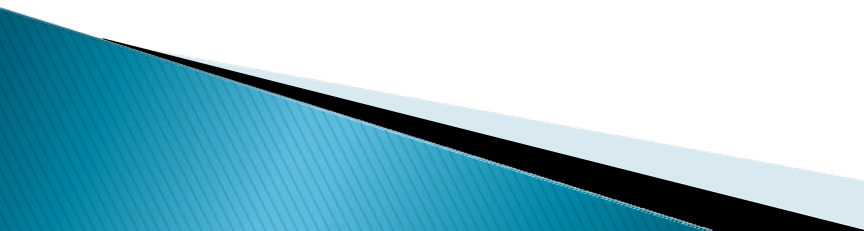
# What is Tax Increment Financing?

- Tax Increment Financing is an economic development tool that local governments can use to publicly finance needed structural improvements and enhanced infrastructure to promote development within a defined geographic area.
  - Tax Increment Financing is based on the pledge of future real property taxes generated by new development within a defined geographic area.
- 

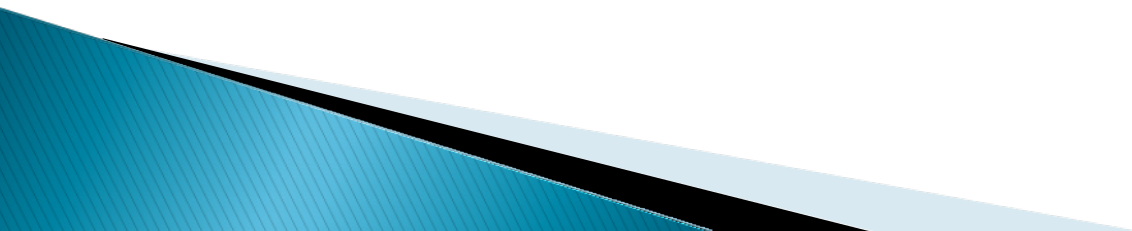
# Community Buy-In

Once a need has been identified for public infrastructure for an industrial park or prospect, affordable housing, redevelopment of a white elephant mall, an incentive for corporate headquarters, community buy-in is critical to the success of the Plan, which must be approved by the participating taxing entities

# Why Is Buy-In Critical?

- Diversion of tax dollars for private development portion can be controversial.
  - TIF mechanism is not familiar.
  - “Redevelopment” can trigger emotional responses.
  - Reach out to all stakeholders early in the process
- 

# Success

- Success depends on having clear goals and objectives agreed upon by all stakeholders.
    - ❖ 500 new jobs
    - ❖ Attractive affordable housing
    - ❖ Technical training for good-paying jobs for young workers
    - ❖ Develop business-ready parks where companies will invest, pay taxes, hire more
- 

# Benefits of Tax Increment Financing

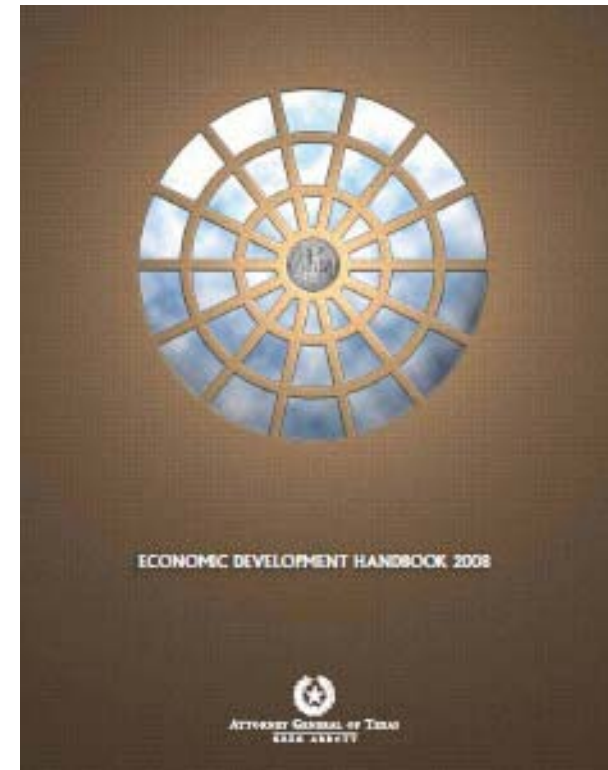
- Taxes on personal property located within the TIRZ are retained by the taxing entities.
- New sales tax generated by the new business activity
- Positive ripple effect
  - ❖ New jobs (direct & indirect)
  - ❖ Property values increase
  - ❖ Other new investment attracted to area



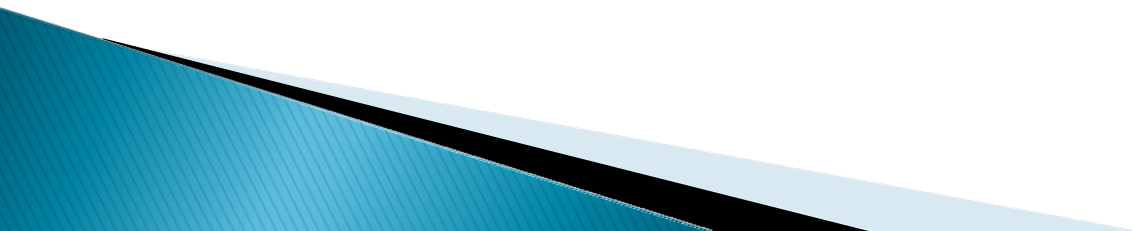


# Resources

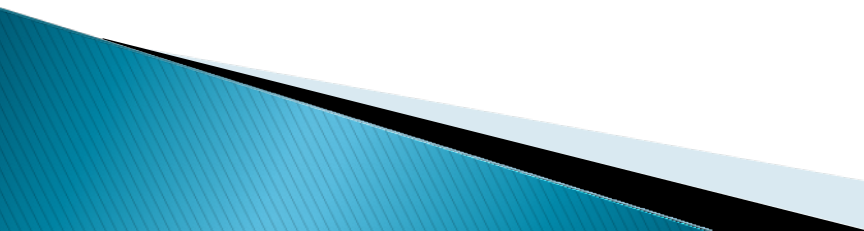
- Texas Tax Code Chapter 311
- Texas Attorney General Economic Development Handbook 2008
- City attorney or other attorney experienced in tax increment financing
- Chief Appraiser at local Appraisal District



# Enterprise Zone Project

- State program administered locally
  - Refund of sales tax over 5-year period
  - Ideal project creates or retains 100 jobs+
  - Currently going through legislative reviews to clean up some of the language
- 

# Chapter 380 / 381 agreements

- Local government code authorizes City or County economic development incentives locally
  - Taxing entity has myriad of options—rebate inventory tax or sales tax; provide infrastructure such as road, bridge turn lanes, sewer connection or drainage needs
- 

Phyllis Schneider  
Vice President Finance  
Tyler Economic Development Council  
903.593.2004  
[pschneider@tylertexas.com](mailto:pschneider@tylertexas.com)

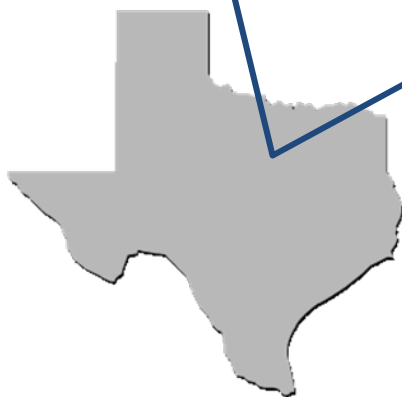
# Unlocking the Development Finance Toolbox

**Barry Friedman**

**President**

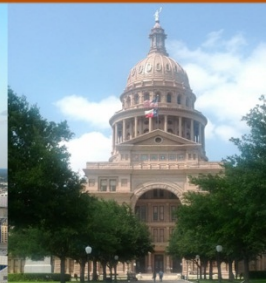
**Carlyle Capital Markets Inc.**

**Dallas, TX**



■ **Are you a CDFA Member?**

Members receive exclusive access to thousands of resources in the CDFA Online Resource Database. Join today at [www.cdfa.net](http://www.cdfa.net) to set-up your unique login.



A specialized state initiative of the Council of Development Finance Agencies



Carlyle Capital Markets Inc.

FRIEDMAN,  
LUZZATTO & CO.

# Unlocking the Development Finance Toolbox in Texas

## Project Financing Utilizing Bonds

### Barry Friedman

Carlyle Capital Markets Inc.  
14755 Preston Road, Suite 510  
Dallas, TX 75254  
972-404-8686  
[www.carlylecapitalmarkets.com](http://www.carlylecapitalmarkets.com)

Friedman, Luzzatto & Co.  
Member FINRA and SIPC  
14755 Preston Road, Suite 515  
Dallas, TX 75254  
972-404-1011  
[www.fl-co.com](http://www.fl-co.com)

# Presentation Outline

---

- Carlyle Capital Markets, Inc.
- Friedman, Luzzatto & Co.
- Financial Consultant
- Bank financing
- Bond financing
- Parties to a transaction
- Underwriting criteria
- Government programs
- Bond investors
- Examples

# Carlyle Capital Markets, Inc.

---

- Carlyle Capital Markets, Inc.
  - Financial services company formed in 1982
  - Oldest corporate lessor in the municipal leasing market
  - Project finance for municipal entities and private developers



# Friedman, Luzzatto & Co.

---

- Friedman, Luzzatto & Co.
  - FINRA registered broker dealer, member SIPC
  - Affiliate company of CCMI formed in 1986
  - Underwriter, placement agent or financial advisor

# Financial Consultant

---

- Financial Consultant to project owner
- Project financing more complex
- Development time and expense
- Multiple project financing components
- Bring Financial Consultant in during development

# Bank Financing

---

- Banks are typically credit lenders versus project finance lenders
- May require corporate or personnel guarantees
- Shorter term loans

# Bond Financing

---

- Use of a conduit/on-behalf-of issuer
- SPE-bankruptcy remote entity
- Proceeds loaned to the SPE
- Longer maturity terms
- Project revenue supported

# Parties to a Transaction

---

- Issuer
- Financial Advisor
- Bond Counsel
- Underwriter/Placement Agent & Legal Counsel
- Borrower & Legal Counsel
- Trustee & Legal Counsel
- Consultants (engineers, accountants)
- Rating Agencies

# Underwriting Criteria

---

- Strong project sponsors
- Equity requirements
- Fixed-price construction contract, EPC or GMP
- Payment & Performance Bonds
- Long term site lease or site ownership
- Permits
- Local community involvement
- Minimum technology risks
- Long term purchase contracts or leases with strong counter parties
- Supply contracts for input with back-up
- Casualty and Business Interruption insurance

# Underwriting Criteria (Con't)

---

- Long term maintenance contracts
- Feasibility study applicable to the project
- Strong debt service coverage ratios
- Delay risk – Capitalized interest for 6-12 months past commercial operation date (COD)
- Reserve funds
  - Bond funded debt service reserve fund
  - Special debt service reserve fund from cash flows
  - Operations and Maintenance reserve fund
- Financial covenants for restricting owner distributions
- All contracts and agreements assigned to a Trustee
- Approval from Attorney General's and Governor's offices

# Government Programs

---

- USDA
- DOE
- ITC/PTC
- NMTC
- Tax Equity
- REC



# Bond Investors

---

- Investment Grade Rated
  - Retail
  - \$5,000 denominations
- Non-rated or non-investment grade
  - Institutional
  - \$100,000 denominations
  - Investor Letter

# Example #1 Methane Gas to Electricity Project

---

- \$14.5 million revenue bond issue
- CCMI: financial consultant-development
- FLCO: Placement Agent
- Located on city-owned landfill
- Construction and operation of landfill gas to electricity plant
- 15 year term to match PPA and lease
- Section 1603 grant
- Non-rated
- Sold to high yield institutional investors

# Example #2 Biochemical Project

---

- \$120 million issue for first biochemical plant
- Role as consultant to developer
- \$50 million DOE grant
- \$25 million in bonds issued through conduit issuer
- \$15 million USDA loan guarantee
- Equity investment
- Site qualifies for NMTC



Carlyle Capital Markets Inc.

# Contact Information

Barry Friedman

CEO

Carlyle Capital Markets Inc.

14755 Preston Road, Suite 510

Dallas, TX 75254

972-404-8686

[barry@ccmi-dallas.com](mailto:barry@ccmi-dallas.com)

[www.carlylecapitalmarkets.com](http://www.carlylecapitalmarkets.com)

# Audience Questions

*Advancing Development Finance Knowledge, Networks & Innovation*



**Save the Date**

**CDFFA National  
Development Finance Summit**  
August 6-9, 2013  
Washington, DC

**Register Today**

Early Bird Rates  
available until  
June 14, 2013.



A specialized state initiative of the Council of Development Finance Agencies

# Upcoming Events

## Intro Revolving Loan Fund WebCourse

Daily: 12-5pm (EST)  
May 8-9, 2013

## Intro P3 Finance Course

Washington, DC  
August 6-7, 2013

## Intro EB-5 Finance WebCourse

Daily: 12-5pm (EST)  
September 18-19, 2013



**Development Finance  
Certified Professional Program**  
*get certified*

CDFA's Development Finance Certified Professional (DFCP) Program is the industry's only comprehensive development finance professional certification program. Graduates of the DFCP Program gain valuable knowledge and experience within the complex development finance industry and achieve a level of understanding unmatched by any other professional certification program. Getting started is easy:

1. Visit [www.cdfa.net](http://www.cdfa.net) to see the current list of courses.
2. Register for an upcoming CDFA Training Institute course.
3. Pick 5 other courses to take over the next 3+ years.
4. Start down the road to personal and professional advancement!

Learn more at [www.cdfa.net](http://www.cdfa.net) and jumpstart your career today.



Register online at [www.cdfa.net](http://www.cdfa.net)



A specialized state initiative of the Council of Development Finance Agencies

# Upcoming Webcasts

**CDFA – Stifel Nicolaus Innovative Deals Webcast Series**  
Thursday, May 16, 2013 @ 1:00pm Eastern

**CDFA – BNY Mellon Development Finance Webcast Series**  
Tuesday, May 21, 2013 @ 1:00pm Eastern



A specialized state initiative of the Council of Development Finance Agencies