



CDFFA-ARI Rural Finance Webinar Series

Thank you

for joining the conversation today. Send us your questions and comments!

Welcome

The Broadcast will begin at 1:00 PM (Central)



CDFA-ARI Rural Finance Webinar Series

Moderator

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James Metz

Coordinator, Research & Technical Assistance
Council of Development Finance Agencies

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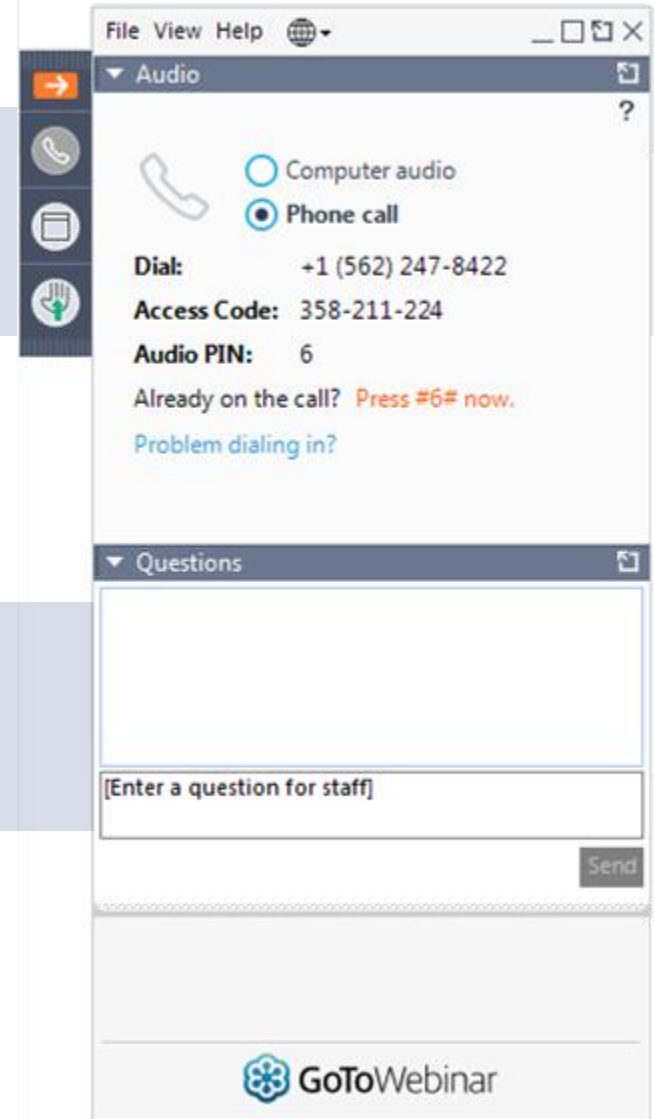
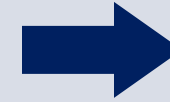
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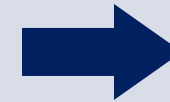


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Using your telephone will give you better audio quality.



Submit your questions to the panelists here.



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Thank You To Our Partner!

ALLIANCE FOR
RURAL IMPACT

The Alliance for Rural Impact

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Learn more about the Alliance for Rural Impact at ruralimpact.org



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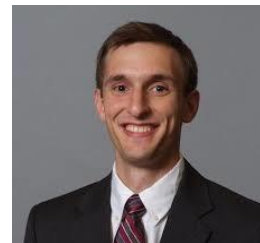
Panelists



Ellen Harpel
Founder
Smart Incentives



John England
Practice Group Leader
Butler Snow LLP



Alexander Flachsbart
President & CEO
Opportunity Alabama



Chris Pederson
Vice President
Connected Nation

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Rural Recovery Accelerator

An initiative by **Opportunity Alabama**



Overview

Opportunity Alabama is the economic development engine for Alabama's low-income communities

-
- We use Opportunity Zones (OZs) as a catalyst for growth.
 - At least one OZ in each of the state's 67 counties.
 - Provides new sources of capital for impact-oriented development projects



A Response to COVID-19

Rural, economically-distressed communities hit the hardest by COVID-19 are the ones with the least infrastructure to quickly create and execute a strategy to attract and deploy federal funding.

“How might we leverage this moment to build a stronger economic foundation over the next 6-24 months?”



OUR SOLUTION:

An initiative to equip Alabama communities with the data, relationships, and strategies to recover and to thrive post-COVID-19.



Program Overview

- Intensive 6-8 week program geared for counties with under 175,000 in population
- Offered free of charge to participants

Five Key Deliverables:

1. Recovery Roadmap
2. Community Data
3. Deal Development
4. Ecosystem Development
5. Community Showcase



Program Areas

STRATEGY DEVELOPMENT

Recovery roadmap for building a targeted economic revitalization campaign

INVESTMENT OPPORTUNITIES (DEALS)

Pipeline of 3-5 quality investment opportunities that would create jobs and anchor recovery process

NETWORK DEVELOPMENT

Ecosystem listing of local individuals, groups and businesses that have agreed to collaborate in recovery process

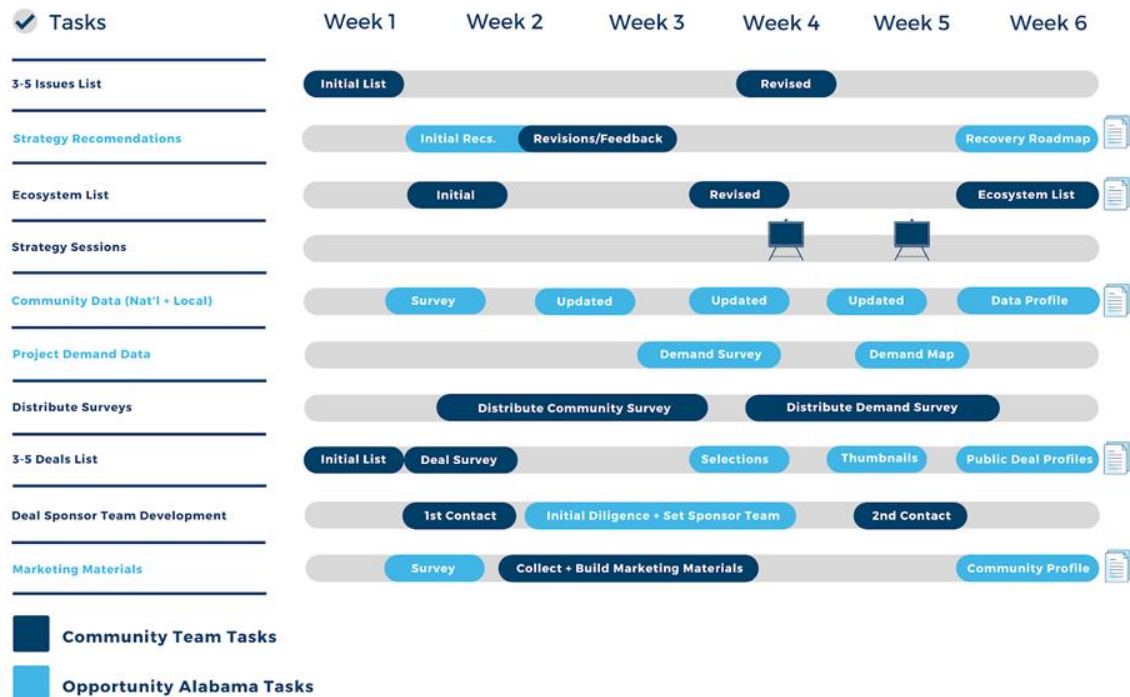
MARKETING MATERIALS

Online community recovery profile that collects data and showcases potential investor opportunities

DATA ANALYSIS

Comprehensive community data profile (ESRI, MasterCard, local surveys)

Rural Recovery Accelerator Timeline



Key Partners



Center
for Inclusive
Growth

MASTERCARD CENTER FOR INCLUSIVE GROWTH

Provides low-latency and highly granular data to help counties assess local needs



SOREN SON
I M P A C T

SOREN SON I M P A C T C E N T E R

Thought partner in rural economic development that also provides storytelling strategy and data analysis



THE OPPORTUNITY
E X C H A N G E

THE OPPORTUNITY E X C H A N G E

Online platform where we can market each county's projects to local and nationwide OZ investors



An initiative to equip Alabama communities with the data, relationships, and strategies to recover and to thrive post-COVID-19

Rural Recovery Accelerator





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Founder
Smart Incentives

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Small Business Recovery Programs Lessons Learned from Incentives

ELLEN HARPEL

*BUILDING THE ROAD TO RECOVERY
CDFA-ARI RURAL FINANCE WEBINAR SERIES*

JUNE 2020



About us

Smart Incentives helps communities make sound decisions throughout the incentives process

- ✓ Analyze incentive offerings and program design
- ✓ Apply the Smart Incentives 4x4 framework for program management
- ✓ Offer access to high-quality business intelligence, data, and analytical methods to guide decisions
- ✓ Evaluate and report program results

Lesson 1: Connect to a larger strategy

What do you want your
small business
programs to
accomplish?

How will you know if
they have been
effective?

Define the program goal – why is
assistance or an incentive being
offered?

- Job creation or preservation
- Business growth or retention
- Worker opportunity, including
training or upskilling
- Downtown/Main Street support
- Quality of life and quality of place
- Strengthen tax base

Not just about completing a
transaction

Lesson 2: Process affects outcomes

Managing incentives and financing programs is a process, not an event.

Breaking down the process into component parts reveals ways to improve implementation to generate better results.



Rigorous analytics to reduce risk

Data

Analysis

at all 4 stages of the incentives process

Recipient

Deal

Compliance

Effectiveness

and to communicate and improve incentive outcomes

Transparency

Accountability

Designing small business programs to address needs

What outcomes do you hope to achieve?

- Business continuity
- Job growth or preservation
- Equity

Which small businesses are you trying to assist?

- Neighborhood businesses
- Traded sector or export-oriented
- Technology and innovation

How does the program function?

- Outreach
- Application
- Partner roles

Build in good governance

Prepare now for scrutiny later

Establish rules and procedures:

- Intake procedures
- Application review and rating
- Performance agreements with milestones
- Monitoring compliance
- Reporting on results

Lawmakers/the media/the public will want to know:

- How much did we spend?
- Who received incentives?
- What happened as a result?

For more information:

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<https://smartincentives.org>



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Group Practice Leader
Butler Snow LLP

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EXPERIENCE SUCCESS ON A HIGHER LEVEL

THAT'S LAWELEVATED



June 10, 2020



FEDERAL RESPONSE

- **Phase 1** - Coronavirus Preparedness and Response Supplemental
- **Phase 2** - Families First Coronavirus Response Act
- **Phase 3** - CARES ACT
- **Phase 3/A** - Pandemic Relief Funds
- **Phase 4** - Future Federal COVID-19 Recovery Legislation



CARES ACT

- Tax Credit Rebates (Individuals)
- Bolstered unemployment insurance
- Business Provisions
- Funding for HealthCare Providers
- Funding for State and Local governments
- Education Funding

CORONAVIRUS RELIEF FUND

- \$150 billion in grants to States, Tribal Governments, and units of local government.

Fund payment limitations include the following:

- Must be necessary expenditures incurred due to the public health emergency regarding COVID-19;
- Must not be accounted for in the entities most recent budget; and
- Must be incurred between March 1, 2020 and December 30, 2020.

Department of Treasury has issued its guidance interpreting limitations on permissible use of Fund payments.

OTHER FUNDS

- K-12 Funding, \$260 million
 - 90 percent sub granted directly to Local Education Agencies
- Economic Community Development
 - Increased Funding for CDBG Grants
- Health
 - Community Health Centers
 - Increase in Federal Medical Assistance Percentages (“FMAP”) Match

OTHER FUNDS (CONT.)

- Department of Justice Byrne-JAG Grants
 - \$850 million available to State and local law enforcements to obtain funds for COVID-19 related expenditures, including overtime pay
 - **Applications were due 5/29**
- FEMA Disaster Relief
 - \$45 billion for immediate needs, medical response, PPE, National Guard deployment, coordination of logistics, safety measures and community services
 - Available to state and local governments
 - Process to obtain via Robert Stafford Act
- Fire Grants
 - \$100 million administered by FEMA
 - Fire departments and state fire academy for COVID-19 expenditures

PROPOSED COVID-19 RECOVERY LEGISLATION (STIMULUS #4)

- CARES Act Municipal Liquidity Facility is only directly available to states, counties with a population of 500,000, cities with a population of 250,000, and certain “Multi-State Entities” together with up to 2 revenue bond issuers in each State, as designated by the Governor of the State.
- Legislation has been introduced to provide as much as \$1 Trillion in additional grants to state and local governments in a new tranche of COVID -19 aid.
 - “Allocation formula” to be determined and may take into account population, COVID-19 cases and revenue losses.
 - However, such proposal could face resistance from some Members of Congress.

PROPOSED COVID -19 RECOVERY LEGISLATION (STIMULUS #4) – ADDITIONAL GOVERNMENTAL ENTITY SUPPORT

- Additional state and local government support to address cash-flow shortfalls, liquidity needs, credit support, and access to credit at affordable cost.
 - Would not require any additional appropriation of federal dollars.
 - Restore and expand American Infrastructure Bonds (Direct-Pay Bonds) to tap the larger taxable capital markets to fund infrastructure.
 - Restore advance refundings to allow states and local governments to realize interest costs savings.
 - Tax-exempt long-term working capital borrowings to address cash flow shortfalls and uncertain revenue streams as a result of COVID-19.
 - Increase market access for small borrowers by increasing the bank qualified borrowing limit from \$10 million to \$30 million.

AMERICAN INFRASTRUCTURE BONDS

- Establish a new kind of State and Local Government bond under the Internal Revenue Code called American Infrastructure Bonds (“AIBs”).
- AIBS would be taxable bonds (Direct-Pay Bonds) that could be issued by state and local governments as an alternative to traditional tax-exempt bonds.
- AIBs would give state and local governments access to the much larger universe of taxable investors seeking to invest in infrastructure (i.e., the \$30 Trillion taxable bond market in addition to the \$3 Trillion tax-exempt bond market).
- As the COVID-19 crisis is almost certainly going to result in dire cash flow shortfalls for state and local governments, it is important that AIBs be available for any purpose for which tax-exempt governmental bonds could otherwise be issued, including working capital financings and refundings.

AMERICAN INFRASTRUCTURE BONDS (CONT.)

- Unlike tax-exempt bonds, the interest earnings on AIBs would be taxable income to the holders of the bonds on their federal income tax returns.
- The Treasury Department will make direct payments to the issuer of the bonds on each interest payment date (ordinarily semi-annually) equal to [27%] of the interest due, calculated as the revenue-neutral rate to the US Treasury as compared to tax-exempt bonds.
- If a different percentage is determined to reflect the revenue-neutral number, the legislation may provide for the revenue-neutral percentage.
- This legislation would place direct payments for AIBs on the list of Federal payments that are statutorily exempt from sequestration.

ADVANCE REFUNDINGS

The Tax Cuts and Jobs Act was enacted in December 2017 and eliminated advance refundings of tax-exempt bonds.

- Reinstate advance refundings under COVID-19 Recovery Legislation.
- Elimination of advance refundings has limited state and local government's flexibility to refinance their debts at the lowest possible cost.
- Given dramatic changes in revenue and fiscal uncertainty to be experienced by state and local governments as a result of COVID-19, this will be a most important tool to free up cash flow by restructuring debt.
- As state and local governments pay more interest, that extra interest is ultimately paid by state and local residents, but also increases the amount of tax-exempt interest claimed on federal tax returns – thereby reducing federal revenues.

ADVANCE REFUNDINGS (CONT.)

- What are advance refundings:
 - When interest rates drop, state and local governments and nonprofits can refinance their outstanding debt to lower their costs, much as individuals refinance mortgages.
 - In some cases, however, the previously issued bonds cannot be paid off immediately because of provisions in those bond documents referred to as call protection.
 - When the previously issued bonds cannot be immediately paid off, the proceeds of the new bonds are put in an escrow until the old bonds can be paid off.
 - This is referred to as an advance refunding, and has saved state and local governments billions of dollars, allowing them to provide better services at a lower cost to their citizens.

MUNICIPAL LIQUIDITY FACILITY

- Congress should further support smaller cities and counties having access to the Municipal Liquidity Facility which is administered by the Federal Reserve under the provisions of the CARES Act.
- The CARES Act also provides that the Federal Reserve may purchase municipal bonds in the secondary market.
- Implementing these improvements to the Municipal Liquidity Facility would strengthen the municipal bond market and facilitate access for all governmental issuers.

ADDITIONAL STATE AND LOCAL GOVERNMENT CREDIT SUPPORT

- To alleviate credit concerns of state and local governments, provide for a federal guaranty program for tax-exempt bonds and taxable bonds of state and local governments, permitting such a program for tax-exempt bonds.
- To maximize the benefit of federal funds appropriated to support COVID-19 recovery, enact legislation that would permit a grant recipient (either a public entity or private entity) to borrow funds utilizing federal funds to source leverage loans and/or repay debt service for COVID-19 eligible projects.

INCREASE BANK QUALIFIED LIMITATION

- To allow state and local governments ability to quickly borrow funds in a frozen market, increase the bank qualified limitation for tax-exempt bonds to encourage banks to purchase bonds.
- Increase the cap of this small issuer exception substantially, to limits as high as \$30,000,000.
- For conduit financings, apply the limit at the conduit borrower level.

PROPOSED COVID-19 RECOVERY LEGISLATION (STIMULUS #4) – ADDITIONAL PRIVATE BUSINESS SUPPORT

Stimulus #3 provided tremendous support to private businesses including the Paycheck Protection Program administered by the Small Business Administration. However, to fuel both a short-term and long-term COVID-19 recovery additional incentives are needed. Below is a summary of a number of incentives being considered, which such incentives would not require any direct appropriation of federal or state dollars.

- Expand the New Markets Tax Credit Program, which has already been an effective tool to incentivize investment in low-income communities.
- To promote the economic recovery of low-income communities, enact legislation to create additional opportunity zones, with a priority to low-income communities plagued by COVID-19.
- To address unprecedented uncertainty with respect to revenue streams of state and local government and credit concerns, suspend or relax private business tests for tax-exempt bonds to facilitate “partnerships” with private entities to provide essential infrastructure.

NEW MARKETS TAX CREDIT PROGRAM

- The NMTC was created to incentivize business or real-estate investment in low-income communities.
- According to the New Markets Tax Credit Coalition, through September 2019, the NMTC has provided over \$100 billion in total project financing to almost 6,000 projects creating 1,000,000 jobs.
- The NMTC has financed over 2,000 federally qualified health centers, schools, daycare centers, apprenticeship programs, treatment facilities and other service providers.

NEW MARKETS TAX CREDIT PROGRAM

- To further assist these low-income communities, there should be a special allocation of at least \$5 billion in credits to be provided in next round of allocation for use in COVID-19 impacted areas, with a portion specifically allocated to healthcare related projects.
- To further reduce the strain on the healthcare system, the NMTC provisions should be amended to relax the restrictions on nonqualified financial property. This would allow employers to accumulate additional cash for working capital to acquire assets such as medical equipment and to continue to fund payments to employees during the economic downturn.
- To maximize the benefit of federal funds appropriated to support COVID -19 recovery, enact legislation that would permit a company to borrow funds utilizing federal funds to source leverage loans and/or repay debt service for COVID-19 eligible projects.
- Allow CDEs, Borrowers and Investors an additional 6 month cure period for any non-compliance issues or reporting issues, including an additional 6 month time period for redeployment as a result of foreclosure.

OPPORTUNITY ZONES

- Economic forecasts suggest low-income communities will be particularly adversely affected by the COVID-19 pandemic.
- To promote the economic recovery of low-income communities, Sections 1400Z-1 and 1400Z-2 of the Code should be amended to create additional opportunity zones, with a priority to low-income communities plagued by COVID-19.
- To further promote the economic recovery of low-income communities, Section 1400Z-2(b)(2) should be amended to permit the full deferral of gain invested in a qualified opportunity fund after March 24, 2020 and reinvested in low-income communities plagued by coronavirus.
- To encourage revitalization of low-income communities, Section 1400Z-2 should be amended to exclude from income gains from the disposition of qualified opportunity zone business property (QOZBP) which are reinvested in other QOZBP within twelve months of the date of disposition.
- Further relief under the Opportunity Zone Act and supporting Regulations focused on additional time and flexibility to meet OZ requirements and timelines will enable OZ businesses to be a vital part of the COVID-19 economic recovery.

PRIVATE ACTIVITY BONDS

- To address unprecedented uncertainty with respect to revenue streams of state and local government, relax private business tests and private loan restrictions under Section 141 to facilitate public-private partnerships to provide essential infrastructure critical to long-term recovery.
- To revitalize a frozen economy with severe economic impacts, reinstate removed types of private activity bonds to revitalize businesses and communities.
- For example, a new category of private activity bond, similar to previously permitted qualified small issue bonds, could be allowed to revitalize the economic activity of small business, broadening the category of permitted businesses beyond manufacturing companies.
- To mitigate the extreme shortage of affordable housing in this country, eliminate volume cap restrictions for single-family and multi-family housing projects for calendar years 2020, 2021 and 2022.

A photograph of three business professionals in an office setting, smiling and looking at a document together. The image is overlaid with a green geometric pattern. The text 'ADVOCACY AND Q/A' is displayed in a white box on the right side of the image.

ADVOCACY AND Q/A

RESOURCES

- Council of Development Finance Agencies (<https://www.cdfa.net/>)
- Smart Incentives (<https://smartincentives.org/>)
- Butler Snow LLP (www.butlersnow.com)
- Government Finance Officers Association (<https://www.gfoa.org/>)
- National League of Cities (<https://www.nlc.org/>)
- National Association of Bond Lawyers (<https://www.nabl.org/>)

CONTACT INFORMATION



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Chris Pederson

Vice President
Connected Nation

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Connected Nation

Chris Pedersen

Vice President, Development & Planning





"Our mission is to improve lives by providing innovative solutions that expand the access, adoption, and use of high-speed internet and its related technologies to all people. Everyone belongs in a Connected Nation."

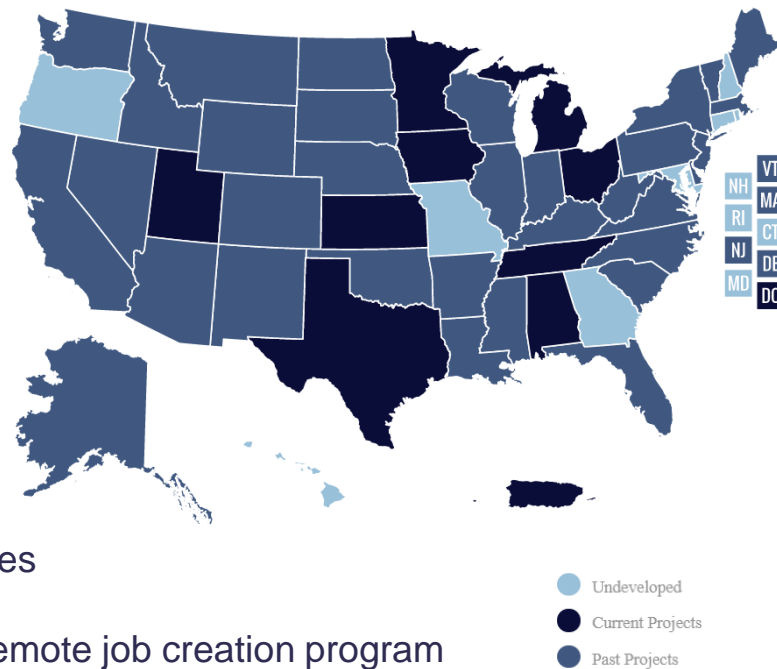
Core competencies include:

- Network mapping, validation, and analysis
- Residential and business technology research
- Local, state, and national policy analysis and capacity building
- Community technology planning

Connected Nation



- 13 state-based broadband public-private partnerships impacting 1,150 counties
- Library-focused initiatives in an additional 13 states in partnership with the Bill & Melinda Gates Foundation
- 1,500+ unique broadband provider relationships in data collection and processing
- Broadband availability mapping across over 40% of the U.S. landmass
- More than 600 unique community engagements in nine states
- Supporting teleworkers in 17 states through Digital Works remote job creation program
- Select research and data collection in telehealth and education





Access

Physical connection to infrastructure that brings high-speed internet service

Adoption

Recognizing the value in broadband and subscribing either at home, work, or via public institutions

Use

Having the skills and applications to leverage broadband to improve quality of life and community/ economic development



EDUCATE TEXAS
at COMMUNITIES FOUNDATION of TEXAS



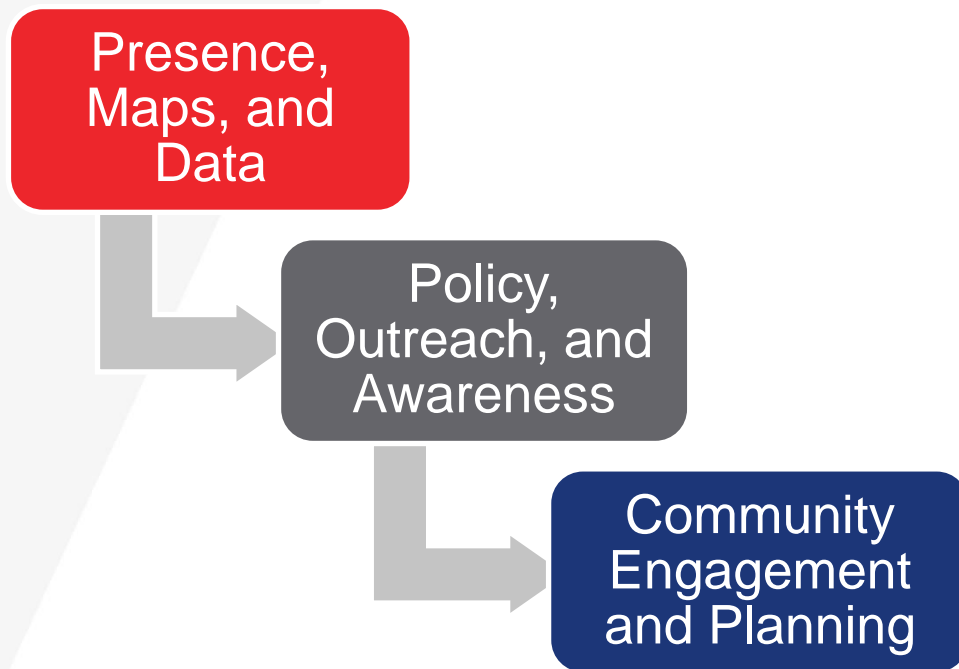
**The Meadows
Foundation**
Serving the People of Texas



T.L.L. TEMPLE FOUNDATION
EST 1962
BUILDING A THRIVING DEEP EAST TEXAS

CARL B. & FLORENCE E.
KING FOUNDATION

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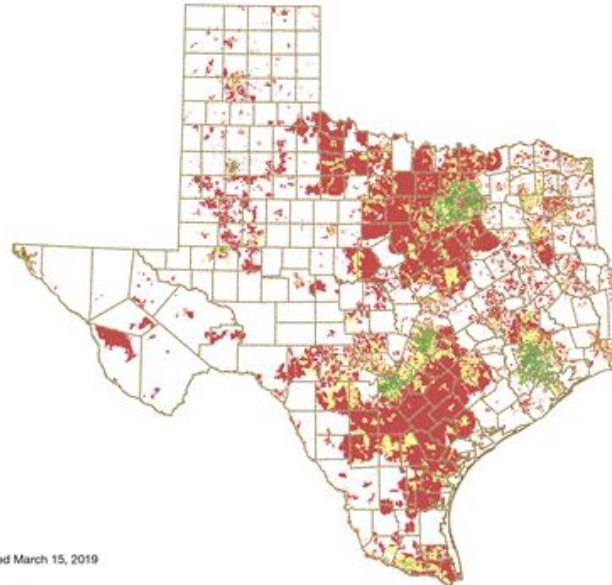
Presence, Maps, and Data



Objectives

- centralized, trusted, neutral resource for broadband data
- clearinghouse for coordinating and communicating broadband opportunities

Texas Broadband Service
Fixed Broadband at Least 25 Mbps Download/3 Mbps Upload



Published March 15, 2019

Legend

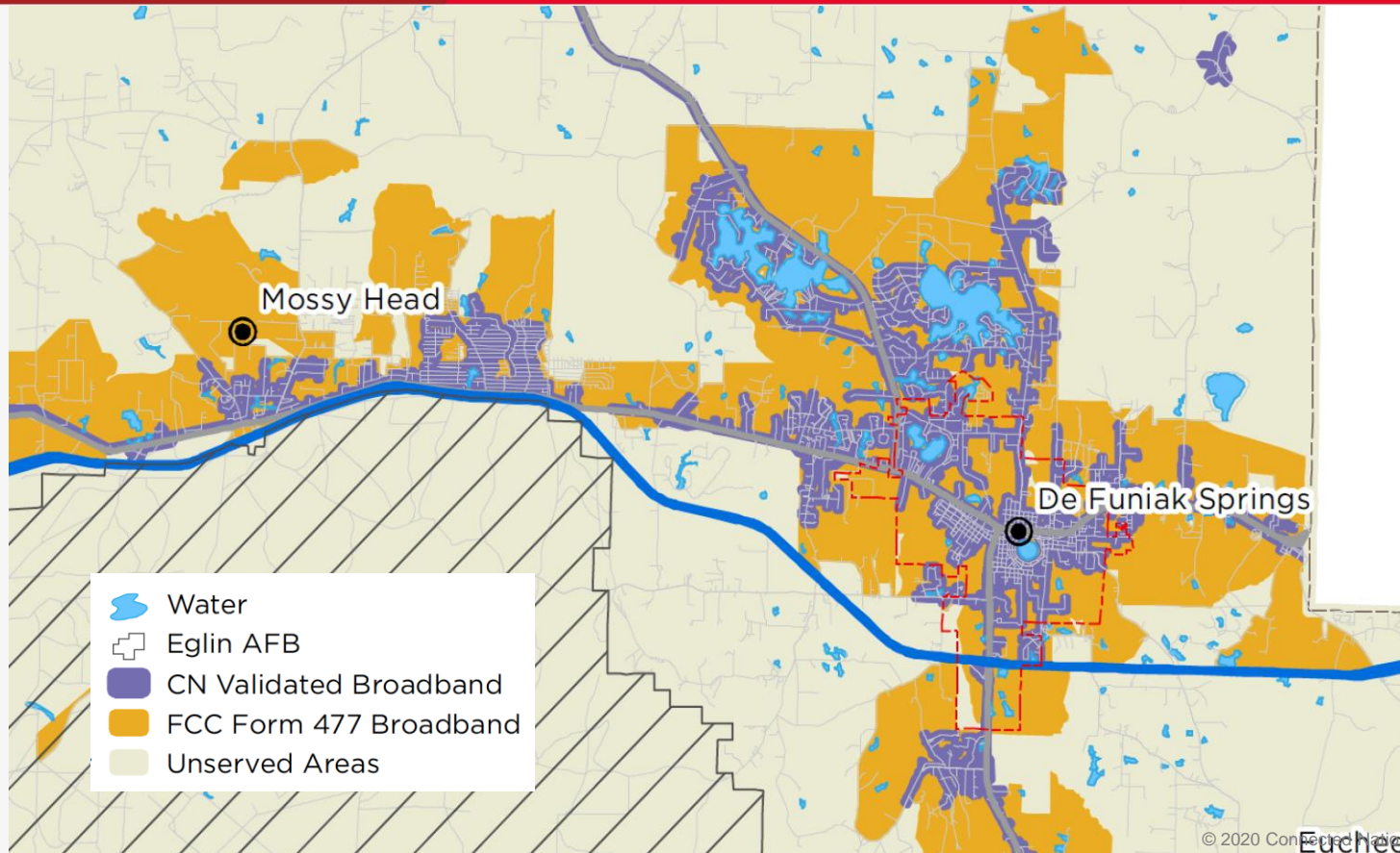
- Low Data Confidence
- Medium Data Confidence
- High Data Confidence
- Unserved Area

A low confidence rating does not mean that CN believes there is not broadband available in that census block or that the provider-filed data is incorrect, only that it warrants investigation to confirm whether or not broadband is available to all locations within the census block.

Data Source: FCC Form 477 Broadband Deployment Data as of June 30, 2017, released September 10, 2018.

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Presence, Maps, and Data

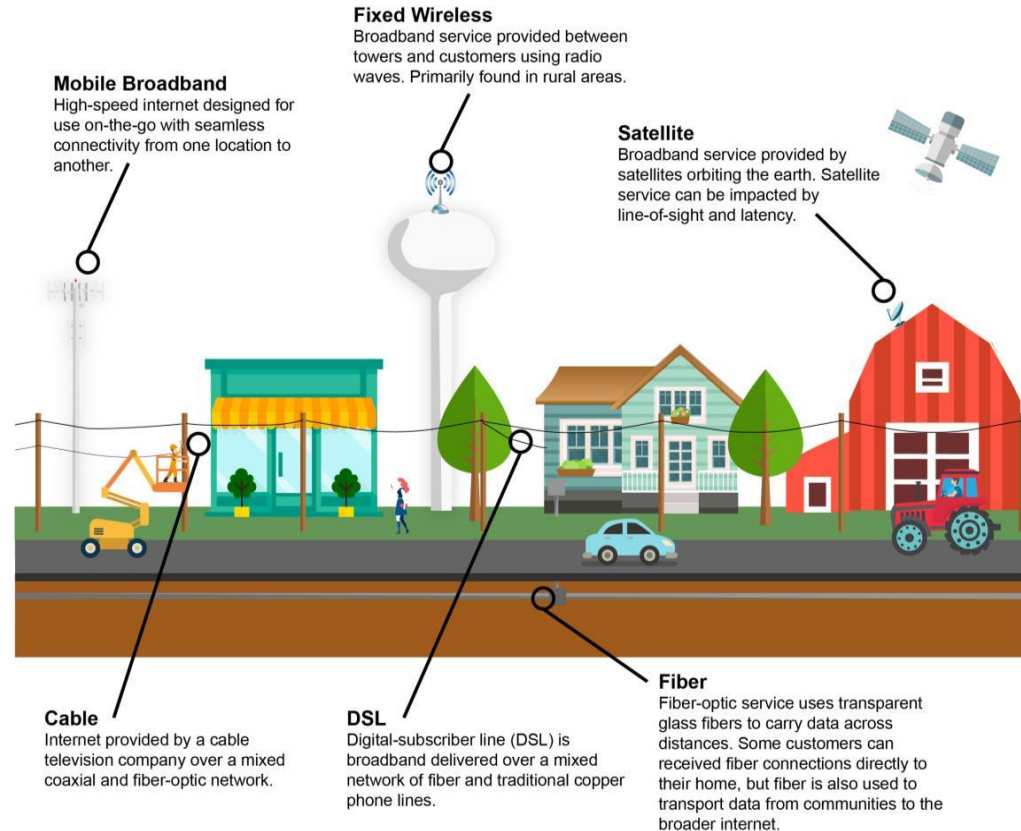


Policy, Outreach and Awareness



Objective

- analyze policies that help or hinder broadband expansion and disseminate information.



Policy, Outreach and Awareness



Having broadband provides households with an estimated \$1,850 annual economic benefit.

Thirty percent of tourism transactions in the US are made online.

Small businesses using social media are 3X more likely to have recently hired than those that do not.

It is estimated that one percentage point increase in broadband access could create or save about 12,000 jobs statewide.

Broadband access can increase home values by an average of 3.1%.

In a community of 20,000, home-based businesses and online sales can account for \$2.4 million, annually.

On average, teleworkers save nearly \$500 annually on car maintenance and fuel.

Telemedicine adds an estimated \$522,000 to rural economies and reduces hospitalizations.

Small businesses with websites have higher annual revenues than those that do not.

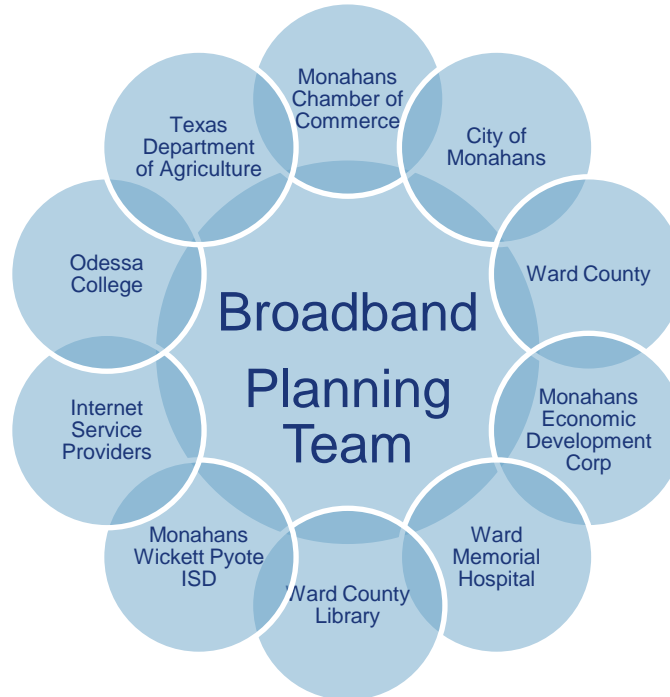
On average, farmers getting connected see a 6% increase in revenue.



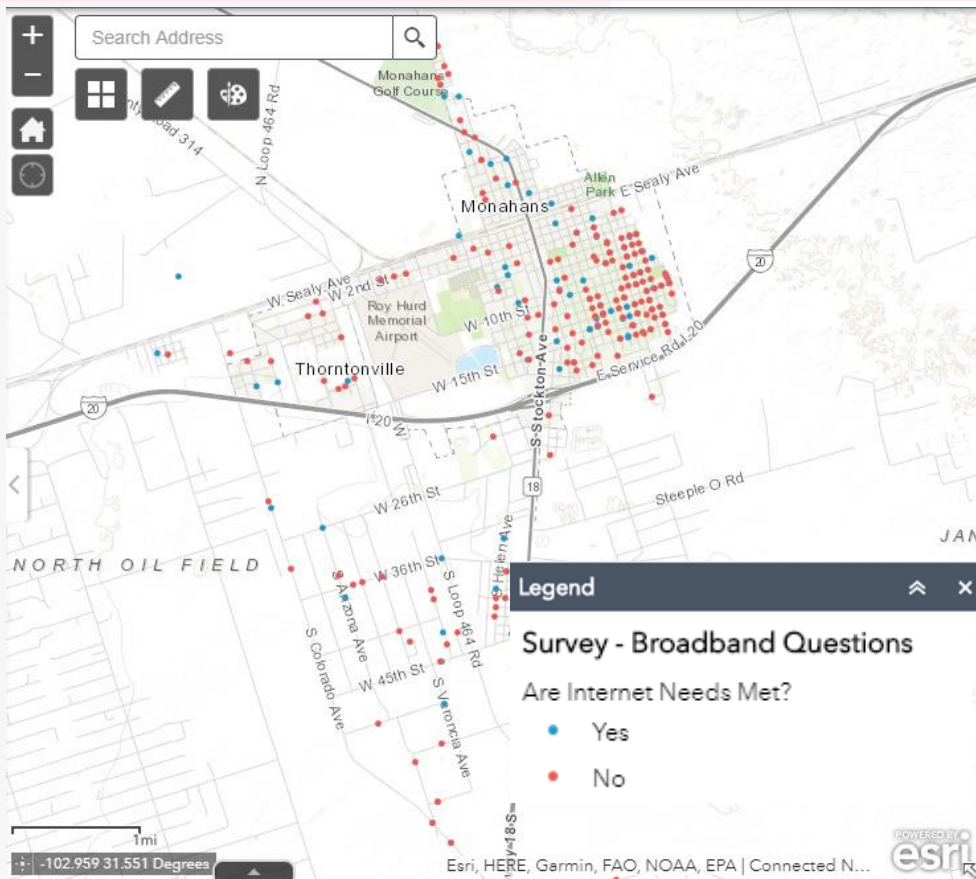
Ward County Community Engagement

Objectives

- build local capacity and develop local leadership for technology planning and effective solutions implementation



Community Engagement and Planning

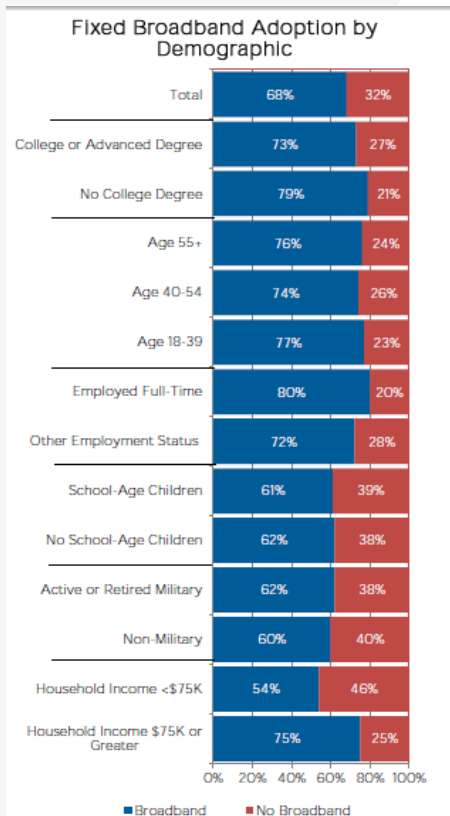


Ward County, Texas

79.5% of households with internet access dissatisfied with current service

- Survey - Broadband Questions ...
- Have a Home Fixed Broadband Connection? ...
- Current Internet Service Type? ...
- Are Internet Needs Met? ...
- Interest in Additional Internet Choices? ...

Community Engagement and Planning



Healthcare Assessment Score Summary

Website Analysis

Your Score

Scoring Scale



Average Score



Advanced Applications

Your Score

Scoring Scale



Average Score



Frequency of Telehealth

Your Score

Scoring Scale



Average Score



Digital Communications

Your Score

Scoring Scale



Average Score

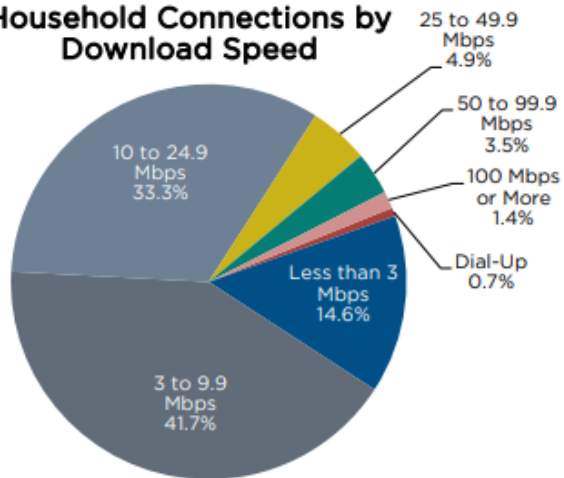


Available Points 40
Community Points 12

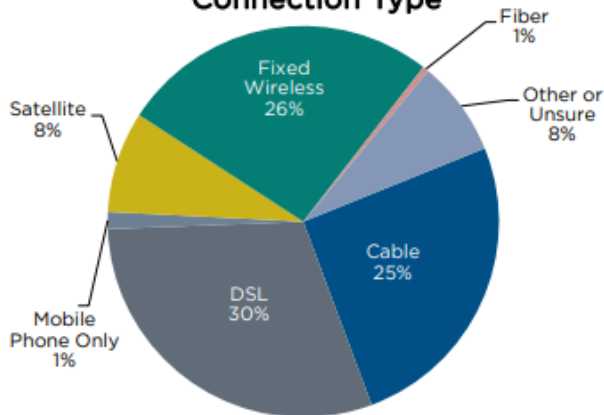
Community Engagement and Planning



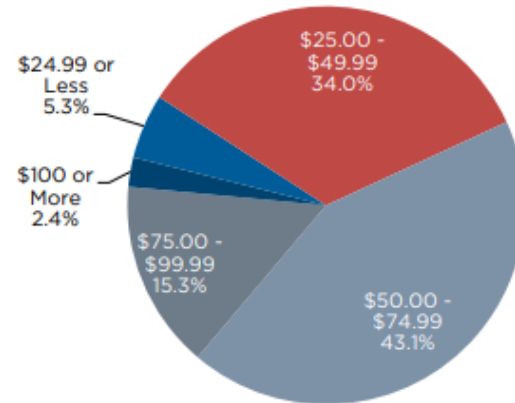
Household Connections by Download Speed



Household Connections by Connection Type



Reported Monthly Cost of Residential Service



Thank you



Questions?

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Questions?



CDFA-ARI Rural Finance Webinar Series

Upcoming Events



CDFA – TEDC Webinar: Public-Private Financing for Infrastructure in Uncertain Times
June 17, 2020

Next webinar in CDFA-ARI Rural Finance Webinar Series
July 8, 2020

CDFA-PFM Captial Markets Webinar Series: What Worries Your Municipal Advisor
July 9, 2020

Register online at www.cdfa.net

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