Development Finance

PERSPECTIVES

Issue 3 ■ 2012

cdfa
Council of Development Finance Agencies

Advancing Development Finance through Partnerships

IN THIS ISSUE:

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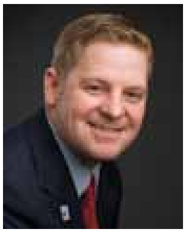
About CDFA

The Council of Development Finance Agencies is a national association dedicated to the advancement of development finance concerns and interests. CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community representing public, private and non-profit development entities. CDFA is a leader in the development finance industry, offering nationally acclaimed training courses, legislative representation on Capitol Hill, a weekly e-newsletter, a comprehensive Online Resource Database, and the National Development Finance Summit – the premier gathering of leaders and innovators in the profession.

Development Finance Perspectives is published by the Council of Development Finance Agencies; 85 East Gay Street, Suite 700; Columbus, OH 43215. All inquiries may be directed to info@cdfa.net or mailed to the address above.

Reshored Manufacturing: Financing our Next Great Economic Opportunity



Toby Rittner,
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For the last two years, economic indicators have pointed to a new and exciting trend in manufacturing called "reshoring." Reshoring refers to the act of manufacturers bringing companies back to the United States, the opposite of the offshoring epidemic that has taken place over the past two decades.

Offshoring occurred in the 1990s and 2000s for numerous factors that ultimately led manufacturers to determine they could do business less expensively overseas. The cost of labor, raw goods, increased taxes, expensive land, machinery and equipment, and favorable oil prices all conspired to support offshoring. The global market was more competitive for most manufacturers, and moving jobs and plants overseas was commonplace.

Today, the global economy has changed the equation for business. American manufacturers created new jobs in 2011 for the first time since the late 1990s. A survey by the Boston Consulting Group found more than one-third of U.S.-based manufacturing executives at companies with sales greater than $1 billion either planning or considering bringing production back to the United States from China.

From wage and raw materials increases to transportation and product quality concerns, it is now estimated that manufacturing in America is net positive for companies. Since 2000, the cost of crude oil has nearly tripled from $36 to an average of $95 per barrel in 2012.[i] The cost of land overseas has increased while availability has decreased, and access to a trained and skilled workforce has witnessed renewed importance to manufacturers.

The ability for small and mid-sized manufacturers to compete and operate an affordable business in the U.S. has created a perfect opportunity for the reshoring of manufacturing. Even large foreign firms, including Toyota, Honda, Siemens, and Rolls Royce, have announced plans to increase U.S.-based production and export their goods overseas.

The reshoring of manufacturing is taking place throughout the country, and the development finance industry will play a major role in this effort. CDFA is poised to take on part of this challenge. In 2012, CDFA wrote the American Manufacturing Bond Finance Act. This important piece of legislation will reform tax-exempt manufacturing bonds and allow state and local issuers to support manufacturers through favorable financing options. You can learn more about the act in this edition of *Perspectives* and online at www.cdfa.net. CDFA is actively working towards introduction in Congress and eventual passage in 2013.

CDFA is also playing even more important roles as we take advantage of the reshoring opportunities facing our country. Notably, by exploring and educating communities on how we finance manufacturers in today's economic climate.

In December, CDFA officially announced a new, four-part "Reshored Manufacturing Webinar Series" that will educate our industry on the best practices, resources, case studies and strategies for supporting this important trend. The series will be delivered online over the course of four months, with one webinar each month.

This webinar series is unique in that we will address how to finance the needs of reshored manufacturers, assemble land, recruit vendors, and develop workforce strategies. From the co-location of reshored vendors within a tight geographical district to the redevelopment of outdated industrial parks, a number of state and local governments have created unique solutions to the reshoring opportunity.

However, many states and thousands of local communities are unprepared for the economic potential of reshoring. A lack of developable land, unfavorable zoning, expensive energy supplies, and the general failure to provide meaningful financial incentives is holding back countless communities.

The argument for participating is simple, the communities and states that build the most efficient and effective delivery system for assisting reshored manufacturers will succeed, while those that ignore this great opportunity will fail. Our great American cities are poised to take advantage of one of the biggest influx of new business expansion in decades, and I encourage you all to take part in CDFA's efforts to support reshored manufacturing.

[i] Source: InflationData.com

Tax-Exempt Bonds to Drive Restoration Post-Sandy

Hurricane Sandy struck the Eastern Seaboard during the first week of November with devastating effect. The most recent estimates place the damage to New York and New Jersey above $70 billion , and the MTA has an estimated $950 million shortfall in rehabilitation costs after factoring insurance and grants. These figures do not include the costs of proactively constructing infrastructure capable of mitigating the impacts of future storms—remember that Sandy is the second consecutive year that the area was affected by a hurricane.

CDFA has called on Congress to create a special allocation of tax-exempt bonds to assist states, municipalities, and private businesses with the costly business of repairing the storm-related damage inflicted on the region. Hurricane Sandy Recovery Bonds would provide lower-cost financing for the necessary rehabilitation, equipment, and construction costs that must now be borne by companies in the recovery area.

> It is time for Congress and the municipal bond industry to work together again to help the country recover from an economically-damaging disaster.

This proposal is not an original idea—Congress has approved special allocations of tax-exempt bonds following most significant domestic disasters over the past 12 years. The September 11, 2001 terrorist attacks and the Heartland floods are two examples, while the Gulf Opportunity (GO) Zone Bonds created in response to Hurricane Katrina are the strongest version to date. GO Zone Bonds were an allocation of $14.9 billion in tax-exempt private activity bond authority and $7.9 billion in advanced refunding bonds and the Government Accountability Office found that the bonds were used efficiently.

It is time for Congress and the municipal bond industry to work together again to help the country recover from an economically-damaging disaster. Hurricane Sandy Recovery Bonds would facilitate the financing of critical transportation infrastructure, energy generation and back-up facilities, and business construction and equipment costs.

Join CDFA in making this appeal to Congress. Get engaged at www.cdfa.net.

CDFA Training Institute

Upcoming Educational Opportunities

Intro Bond Finance WebCourse

January 29-30, 2013
Daily: 12-5pm (EST)

CDFA's highly acclaimed bond finance training is now available online with the **Intro Bond Finance WebCourse.** This course provides an in-depth look at governmental and qualified private activity bonds, with a focus on industrial development bonds (IDBs), 501(c)(3) non-profit bonds, exempt facility bonds, and other special bond programs authorized by the federal government. This course will address the basic requirements for issuing a bond, the rules and regulations that govern tax-exempt and taxable bonds, the major players involved in a bond transaction, and their roles and responsibilities.

Early Bird Registration Deadline: January 11, 2013

Fundamentals of Economic Development Finance Course

March 14-15, 2013
Washington, DC

The **Fundamentals of Economic Development Finance Course** is the foundation for all of CDFA's educational offerings. This course will help you understand the variety of development finance tools available, from bonds, tax credits and TIF, to federal financing programs, RLFs, and access to capital lending resources. The Fundamentals Course is based on CDFA's *Practitioner's Guide to Economic Development Finance*, the only comprehensive reference guide dedicated to building and utilizing the development finance toolbox.

Early Bird Registration Deadline: February 15, 2013

Intro Public-Private Partnership (P3) Finance Course

August 6-7, 2013
Washington, DC

The **Intro Public-Private Partnership (P3) Finance Course** examines this emerging development finance model with a focus on how development finance agencies can adopt P3 principles to address a variety of projects. This course will cover basic P3 concepts, key players involved in transactions, asset valuation, contract negotiation, risk assessment, revenue stream development, and feasibility analysis. In addition, several P3 projects from across the country will be presented, and P3 experts will analyze the successful elements in each deal.

Early Bird Registration Deadline: July 10, 2013

Intro EB-5 Finance WebCourse

in partnership with IIUSA

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

New to the CDFA Training Institute

The **Intro EB-5 Finance WebCourse** is offered in partnership with the Association to Invest In USA (IIUSA). This course examines the basic statutes and regulations governing the EB-5 Visa program. Topics covered include direct EB-5 vs. EB-5 Regional Center programs, minimum investment requirements, securities regulations, and business plans and economic reports. Plus several case study examples will be discussed to showcase the variety of economic development projects that can benefit from this form of capital.

Early Bird Registration Deadline: August 23, 2013

Also Available in 2013

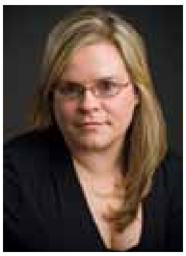
Tentative course offerings for the remainder of 2013:

Reshored Manufacturing Webinar Series • Intro Tax Increment Finance WebCourse
Intro Commercial Real Estate Finance WebCourse • Intro Energy Finance WebCourse

All of these courses qualify for the CDFA Training Institute's Development Finance Certified Professional (DFCP) Program.
Start down the road to personal and professional advancement today.

Register online today at www.cdfa.net

Public Private Partnerships – P3, PPP – Emerging as Key Infrastructure Financing Model



Katie Kramer,
Director, Education & Programs
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As the fiscal challenges of state and local government have increased, the Public-Private Partnership model has been emerging nationwide. Adapted from existing models in Europe and Canada, Public Private Partnerships (P3 or PPP) are an approach to building infrastructure through private operations, and these models have been in the news and on the forefront of the public finance industry for the past year.

According to Brian Walsh from Ballard Spahr, P3s are, in their basic form, a contractual relationship between a public agency (federal, state, or local) and a private sector entity (private equity investment group or consortium of private equity group and industry-specific operator). In the U.S., P3s are most commonly used in support of large-scale transportation projects, but they are increasingly being used for social infrastructure, such as schools, jails, water facilities, parking structures, etc.

The critical element of the P3 model is that the public partner is able to develop infrastructure for long term planning while placing the burden of delivery and maintenance in the private sector. This risk-sharing approach provides a level of comfort and protection for the public sector while providing a financial opportunity for the private sector to develop revenue-generating assets. In the end, P3s offer a way to protect the public's best interest at the lowest project cost by allocating risk to the parties best able to manage and mitigate these developments.

If you read CDFA's headlines regularly, you have seen that Standard & Poor's just issued the first-ever P3 rating and that many state DOTs oppose P3 limits. Over thirty states have passed specific P3 legislation to allow for their state development finance agencies to enter into partnerships on infrastructure, energy, and economic development. The City of Chicago has long used such models for parking and transportation and is exploring a P3 trust for infrastructure and energy efficiency. Virginia has been very active in 2012, pursuing P3s for large toll road and tunnel projects. Nearly every lawmaker in the country is looking into this concept, including the federal government.

As more states, municipalities, universities, and companies face tough budget decisions, P3 models are being used to provide creative solutions to finance vital development projects, including real estate developments, schools, parking garages, public transit, affordable housing, water facilities, and more. For example, the State of Ohio is privatizing rest stops to generate capital and catalyze development, and Morris County, NJ is creatively working with developers to form P3s for solar installations on schools. As this trend continues to grow, CDFA has dedicated new resources to fully capturing the potential of the new P3 financing trend.

CDFA is offering the new Intro Public-Private Partnership (P3) Finance Course at the 2013 CDFA National Development Finance Summit to examine this emerging development finance model with a focus on how development finance agencies can adopt P3 principles to address a variety of projects. This course will cover basic P3 concepts, key players involved in transactions, asset valuation, contract negotiation, risk assessment, revenue stream development, and feasibility analysis. In addition, several P3 projects from across the country will be presented, and P3 experts will analyze the successful elements in each deal. During the Intro P3 Finance Course, industry experts will discuss the common characteristics and drivers of P3 financings throughout the country and explain the various structures of these deals.

Legislative Front

Erin Tehan,
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In June 2012, CDFA announced a new, exciting piece of legislation, the American Manufacturing Bond Finance Act (AMBFA). The Act, authored by CDFA with the assistance of six hand-selected bond attorneys, provides a comprehensive reform package that will modernize and revolutionize Qualified Small Issue Manufacturing Bonds, more commonly known as Industrial Development Bonds (IDBs) and manufacturing bonds. The eight suggested reforms laid out in the AMBFA will expand the capacity and usability of manufacturing bonds to help create American jobs immediately.

The AMBFA recommendations include:

Reform #1: Expand the Definition of Manufacturing to Include both Tangible and Intangible Manufacturing Production for Qualified Small Issue Manufacturing Bonds.

CDFA proposes updating the definition of manufacturing to allow for companies who produce both tangible and intangible property to access the capital markets. The expanded definition would cover software, formulas, patterns, and similar intellectual property. This change will help retain and create jobs, spur manufacturing investment, and accelerate the nation's economy.

Reform #2: Eliminate the Restrictions on "Functionally Related and Subordinate Facilities" for Qualified Small Issue Manufacturing Bonds.

CDFA proposes eliminating the restriction for "functionally related and subordinate facilities" using IDBs, allowing manufacturers to develop projects supporting modern business practices, providing for a better work environment, and diminishing the complexity of bond financing. This change would also give manufacturers the resources to plan long-term capital improvements, workforce development, and job creation.

Reform #3: Increase the Maximum Bond Size Limitation from $10M to $30M for Qualified Small Issue Manufacturing Bonds.

CDFA recommends increasing the maximum IDB size limitation from $10M to $30M. This relatively small change would have a limited impact on the federal budget, as IDBs will remain under the national volume cap. This change will give manufacturers an improved resource for making investments and creating jobs through an investment already largely accounted for by the federal government.

Reform #4: Increase the Capital Expenditure Limitation from $20M to $40M for Qualified Small Issue Manufacturing Bonds.

CDFA proposes increasing the capital expenditure limitation for IDBs from $20M to $40M. This change will align this important limitation with the cost of doing business in the 21st Century, opening the door for manufacturers with long-term expansion objectives to invest and create jobs.

Reform #5: Expand and Raise the Limits for Bank Deductibility to $30M for Qualified Small Issue Manufacturing Bonds and Qualified 501(c)(3) Bonds.

CDFA proposes expanding and raising the small issuer limit for bank deductibility to $30M for IDBs and Qualified 501(c)(3) Bonds [501(c)(3)s]. CDFA also proposes that Congress allow "bank qualified" debt to be applied on a borrower-by-borrower basis, rather than aggregating all "bank qualified" bonds issued by an issuer. This change will give borrowers and issuers the ability to place their bonds with their local community banks.

Reform #6: Expand the 2% De Minimis Rule to Financial Institutions for Qualified Small Issue Manufacturing Bonds and Qualified 501(c)(3) Bonds.

CDFA recommends expanding the 2% de minimis rule for IDBs and 501(c)(3)s so that financial institutions are permitted to purchase new money tax exempt bonds issued in an aggregate amount not to exceed 2% of their adjusted bases of assets.

Reform #7: Eliminate the Restriction on the Use of Accelerated Depreciation by Manufacturers Using Qualified Small Issue Manufacturing Bonds Financing.

CDFA proposes eliminating the restriction on the use of accelerated depreciation by manufacturers using IDBs, allowing small- to medium-sized manufacturers to access affordable rates while also benefiting from tax-savings in the early years of the investment. This change would encourage manufacturers to explore bond financing as a cost-effective way to make investments and create jobs.

Reform #8: Expand the Definition of a Draw-down Loan.

CDFA proposes to allow volume cap to be carried over for IDBs to put manufacturing bonds on par with other volume cap programs.

CDFA is currently working for introduction of the American Manufacturing Bond Finance Act in Congress and is seeking supporters to help advance this important piece of legislation.

Organizations can lend their support to CDFA's efforts by visiting www.cdfa.net.

CDFA Capitol Hill Day:

August 1, 2012

CDFA held its biggest Capitol Hill Day this past August with 50+ participants meeting with over 60 offices. Meetings were held with both the U.S. House of Representatives and U.S. Senate. Capitol Hill Day 2012 focused on getting support for the American Manufacturing Bond Finance Act.

Feature Story
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CDFA & CEG's New Clean Energy + Bond Finance Initiative

■ By Toby Rittner, CDFA President & CEO, trittner@cdfa.net; and
Lew Milford, Clean Energy Group President, lmilford@cleanegroup.org

Partnership on Clean Energy Bond Finance

In August, CDFA and Clean Energy Group (CEG at www.cleanegroup.org) announced an exciting new partnership aimed at developing a more tangible connection between clean energy development and bond financing. Early returns on the Clean Energy + Bond Finance Initiative (CE+BFI) have already paid off with a hundred media mentions and the first meetings of a targeted task force addressing these important elements of moving our energy economy forward.

As the country looks for new sources of clean energy finance, a group of public and private investors, policy makers, and industry practitioners have agreed to explore new ways to catalyze clean energy investment. This partnership is still in the early stages, as public finance agencies, clean energy public fund managers, and institutional investors across the country explore how to raise capital at scale for clean energy through bond financing.

The ultimate goal for the CE+BFI is to facilitate access for clean energy projects to the capital markets, yielding an increase in bond financing for clean energy by an additional $5 billion to $20 billion in private capital over the next five years from its current, modest level.

> The mission of the Clean Energy + Bond Finance Initiative is to use development finance tools to fill the massive funding gap for clean energy.

The CE+BFI has been formed and will be managed by CEG, a national nonprofit, and CDFA, the national organization of development and bond financing authorities in the United States. The mission of the new initiative is to work together over the next several years to use development finance tools to fill the massive funding gap for clean energy, a result of declining federal support.

Expanded Role of Bond Finance in Clean Energy

The prospect for sustained federal financial support for clean energy is uncertain, if not bleak. Over the next few years, federal dollars for clean energy are expected to be slashed by more than 70%. This decrease will require hundreds of billions of dollars to support the emergence of renewable, energy efficiency, and advanced manufacturing technologies.

Many experts are looking to states and local entities as a key public investment strategy. State funds raised and leveraged $12 billion in clean energy investment over the last decade, but a major group of state and local finance partners have been overlooked. In the U.S., over 50,000 municipal authorities access the capital markets to finance economic development. The municipal bond market represents a $3 trillion industry that has financed our nation's infrastructure and public improvements, from bridges and airports to hospitals and schools to water treatment and solid waste systems. Clearly, there is an opportunity for clean energy bond finance in the municipal market.

With the exception of some notable projects, development finance agencies have been hesitant with clean energy. However, these agencies now seek to accelerate clean energy financing. The ability of these agencies to raise capital in good and bad economic times is undisputed; for example, municipal bond issuers in the first three months of 2012 brought to market 2,927 deals totaling $78.3 billion. It is this scale of funding that is now needed for sustained clean energy market development.

Successful Clean Energy Bond Finance Models

Development finance through the issuance of bonds has already begun to bring new capital into the clean energy space. The CE+BFI is initially exploring 20 different models for using bonds for clean energy development, a representative example includes:

Project Based Models (tools to create bond finance for specific projects or groups of projects):

- ***Morris County Model*** - Public entity issues government bonds for solar on public buildings, transfers low cost capital to developer for lower PPA price; the Initiative is exploring the model and opportunities to scale-up in multiple jurisdictions for tax exempt and taxable bonds.

- ***Nonprofit Finance*** - Use of 501(c)(3) bonds for nonprofits seeking clean energy (CE) or energy efficiency (EE) financing; the Initiative is identifying common credit enhancement tools that can be applied nationally and in regions.

- ***Offshore Wind*** - Aggregated multi-state procurement of offshore wind power, combined with bond financing of projects across jurisdictions—either with pooled bond funds (see below) or with coordinated issuers is being explored.

- ***PACE Financing*** - Municipal bonds that fund EE retrofits and on-site solar PV that are repaid through an annual assessment on the property tax bill.

Fund Based Models (bonds to create new pools of capital to finance clean energy projects):

- ***System Benefits Charges Flows*** - Bond financing model that uses rated credit support in the form of a contingent intercept on existing System Benefit Charges ("SBCs") that would be tapped to compensate for defaulted loan payments; could be used in conjunction with a bond fund or a PACE program; this new model is being examined in many jurisdictions with SBC funds.

- ***Pooled Bond Funds*** - Municipal bond issuance where proceeds are used—whether through an infrastructure bank, revolving loan fund, or other model—by a number of cities and projects in order to achieve market efficiencies for CE and EE development; the initiative is exploring both encouraging existing funds to emphasize CE and the creation of new funds.

- ***Bond Backed Investment Authorities*** - General obligation bonds are used to finance authorities capable of making investments in funds, projects, and companies, all grouped around a specific purpose (e.g., Ohio Third Frontier and California Institute for Regenerative Medicine); the initiative will explore possibility of creating similar authorities for CE investments.

> Without changes in law, [development finance] models can be expanded and applied to new project opportunities throughout the country.

Enabling Financing Tools (explore complementary finance vehicles to boost use of bond finance):

- ***Standardization/Securitization*** - Consider models that create liquidity for EE and CE loans by securitizing the federal or state-guaranteed portions of qualifying loans. Explore how to create a secondary market for energy-related loans as was done for small business loans through the private bundling and sale of SBA 7(a) guaranteed loans, which are underwritten, originated and serviced by non-government lenders using standardized SBA loan documents.

- ***Clean Energy Credit Enhancement*** - Working with state clean energy funding agencies to leverage state CE funds by their provision of credit enhancement for bond issuances that raise capital for qualified projects.

These are a few examples of existing bond finance tools being used to bring more capital to clean energy. Even without changes in law, reliance on new policies, or the creation of new institutions, these models—and others—can be expanded and applied to new project opportunities throughout the country. Much more discussion, education, and demonstration needs to be done to accelerate the use of these tools in the clean energy and efficiency sector.

CE+BFI Bottom Line

A unique financing situation for clean energy, including declining federal support, is encouraging the industry to seek reliable and scalable sources of financing. Development finance agencies are capital markets participants who know how to raise hundreds of billions of dollars for infrastructure investment, and are now interested in making significant investments in clean energy using bond finance instruments to close the funding gap.

The partners engaged in the CE+BFI, with the support of CEG and CDFA, are eager to make a significant contribution to this extremely important national issue of clean energy finance.

Feature Story
12

Excellence in Development Finance: Tax Increment, Access to Capital, Tax Credits

By Jason Rittenberg, Research & Resources Coordinator, jrittenberg@cdfa.net; and
Erin Tehan, Legislative & Federal Affairs Coordinator, etehan@cdfa.net

The CDFA Excellence in Development Finance Awards recognize outstanding development finance programs, agencies, leaders, projects, and success stories. These awards, presented annually at the CDFA National Development Finance Summit, honor excellence in the use of financing tools for economic development, as well as the individuals who champion these efforts.

Nine awards were presented at the 2012 CDFA National Development Finance Summit (see the sidebar for the full list). Three of the award winners are described in detail below, and other winners will be featured in future issues of *Perspectives* and other CDFA venues.

CDFA Excellence in Tax Increment Finance Award

Anthony Griffin from Berwyn Development Corporation and Brian Pabst and Mayor Robert J. Lovero from the City of Berwyn.

The 2012 winners of the CDFA Excellence in Tax Increment Finance Award are Berwyn Development Corporation and the City of Berwyn for the Berwyn Gateway Plaza.

Berwyn Gateway Plaza, completed in 2011, was the result of a long-term vision for the City of Berwyn. The City targeted the block for redevelopment because the high-traffic intersection serves as a gateway into Berwyn, but was blighted and underutilized. The City used an existing tax increment financing (TIF) district to assemble and prepare the site for redevelopment, which was conducted through a partnership between the City and Berwyn Development Corporation.

The redevelopment process included a three-year land acquisition period and the construction of nearly 20,000 square feet of new commercial space in an urban infill environment. Several sources of capital and equity were used to fully finance the project, including developer and tenant equity and bank loans. The use of the existing TIF district was critical not only for the funding, but also for the successful execution of the lengthy assemblage process.

The development features an architectural monument identifying the City while providing a restaurant and retail park. The buildings and gateway share masonry and stone accents, a courtyard provides outdoor restaurant seating, and a 15-foot setback provides generous pedestrian space and visible interest. Ultimately, the Berwyn Gateway Plaza stands as a welcoming entrance to the city.

CDFA Excellence in Access to Capital Finance Award

Ben Avery and Ryan Whitehead from Wyoming Business Council.

The 2012 winner of the CDFA Excellence in Access to Capital Finance Award is the Wyoming Business Council.

The creation of the Wyoming Business Council in 1998 dramatically changed the state's approach to economic development. The Council employs a corporate structure and regional offices to drive programs and offer better service. The Wyoming Business Council focuses efforts to build a strong job creation base in manufacturing and technology while strengthening existing business and industry groups under alternative energy, agriculture, transportation, and logistics.

Within this mandate, the Council offers programs focused on enabling communities to develop and thrive, helping established businesses to improve, and improving residential and commercial energy efficiency. The divisions of the Council include Investment Ready Communities, State Energy Office, Wyoming Main Street, and Wyoming Rural Development Council.

Key to this award, the Wyoming Business Council provides innovative finance tools that help businesses both small and large to obtain capital to grow. These tools include a variety of revolving loan funds and other loan programs, industrial development bonds, and the Wyoming Small Business Investment Credit Program, as well as the Wyoming Partnership Challenge Loan Program. All of these programs help the Council reach their end goal of economic development for Wyoming.

CDFA Excellence in Tax Credit Finance Award

Gregory Folta and Darrin Casper from Salt Lake County and Chuck Depew from National Development Council.

The winner of the 2012 CDFA Excellence in Tax Credit Finance Award is the National Development Council and Salt Lake County for the Salt Lake County Solar Facilities Project in Salt Lake County, Utah.

The Salt Lake County Solar Facilities Project placed one of the largest roof-top solar installations in the United States on the Salt Palace Convention Center in Salt Lake City. The project's financing sources included Qualified Energy Conservation Bonds (QECBs), New Markets Tax Credits (NMTCs) equity, and 1603 grant funds. Senior debt represents only 28% of the project costs, and energy costs for the facility are set for a 20-year period.

A "green" mandate from the Salt Lake County Mayor and acute pollution problem drove the County to pursue this clean energy project, despite the availability of low-cost coal. This project began taking shape when Salt Lake County received two Department of Energy Grants in 2009 and successfully lobbied the state for third-party Power Purchase Agreement legislation in 2010. During this period, Salt Lake County also received an allocation of QECBs and gained experience by closing its first NMTC financing.

> The Solar Facilities Project placed one of the largest roof-top solar installations in the U.S. on the Salt Palace Convention Center.

As the stars aligned, Salt Lake County, the National Development Council, Ballard Spahr, and Zion's Public Finance collaborated to close on a financial structure incorporating all of these elements to provide the most solar possible for the investment at current pricing.

2012 CDFA Excellence in Development Finance Award Winners

CDFA Lifetime Achievement Award: Gary Smith, Chester County Development Council

CDFA Federal Development Finance Leadership Award: Paul Webster, U.S. Department of Housing and Urban Development

CDFA Distinguished Development Finance Agency Award (State Agency): Business Oregon

CDFA Distinguished Development Finance Agency Award (Local Agency): New York City Economic Development Corporation

CDFA Excellence in Bond Finance Award: MassDevelopment, Worcester Polytechnic Institute's Gateway Park

CDFA Excellence in Tax Increment Finance Award: Berwyn Development Corporation, Gateway Plaza

CDFA Excellence in Tax Credit Finance Award: National Development Council, Salt Lake County – Salt Palace Solar Facility

CDFA Excellence in Energy Finance Award: Greater Cincinnati Energy Alliance & Cincinnati Development Fund, Building Performance Program

CDFA Excellence in Access to Capital Finance Award: Wyoming Business Council, Wyoming Partnership Challenge Loan Program

Federal Manufacturing Finance Resources

By Erin Tehan, Legislative & Federal Affairs Coordinator
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For over thirty years, CDFA has supported tools and resources to assist American manufacturers with access to low-cost capital, including many of the financing programs offered by the federal government. Multiple federal agencies offer technical assistance, grants or loans, early stage capital, export/import assistance, workforce development benefits, and other financing resources designed to support manufacturers. Several agencies contain offices that specifically work to help address manufacturers' barriers to growth.

In the Federal Financing Clearinghouse, CDFA tracks over 170 federal programs that assist with financing for American manufacturers, including industrial development bonds and SBA 504. Here are four lesser-known tools for manufacturing finance:

Advanced Manufacturing Office (AMO)

U.S. Department of Energy

DOE's Advanced Manufacturing Office (formerly Industrial Technologies Program) works with diverse partners to develop and deploy technologies and practices that will help U.S. manufacturers succeed in global markets. AMO is a key contributor to the Advanced Manufacturing Partnership, helping with research and development, as well as technology deployment.

Eligible Users:
Manufacturers and other organizations, including academia and DOE national laboratories are eligible for AMO R&D cost-sharing financing. For AMO technical deployment, state and local stakeholders, utilities, universities, trade associations, non-profits, and others may be eligible.

Financing Type:
Access to Capital | Innovation Finance

Working Capital Guarantee

Export-Import Bank of the United States

Ex-Im Bank's working capital financing enables small business exporters to obtain loans to facilitate the exports of goods or services, providing the liquidity and confidence to compete internationally. The Working Capital Guarantee encourages commercial lenders to make working capital loans by providing them with a 90% loan backing guarantee, which decreases their risk. Ex-Im Bank's Delegated Authority Lenders can expedite the loan process by evaluating eligibility and offering the guarantee before Ex-Im Bank's participation.

Eligible Users:
Eligible exporters for this program must be located in the United States, have at least a one-year operating history, and a positive net worth. See the Ex-Im Bank's website for additional requirements.

Financing Type:
Access to Capital | International

Trade Adjustment Assistance for Firms (TAA)

U.S. Economic Development Administration

The TAA program provides technical assistance to manufacturers or producers that have lost employment and sales or production due to increased import competition. EDA administers the TAA program through a national network of eleven Trade Adjustment Assistance Centers (TAACs), which aids in submitting a petition to EDA for certification of eligibility and in applying for assistance under the TAA program.

Eligible Users:
Only manufacturers are eligible for assistance, although related banks, economic development groups, and other organizations may contact a TAAC on behalf of an eligible firm.

Financing Type:
Access to Capital | International

Small Business Investment Research (SBIR) Program

U.S. Department of Commerce

DOC's National Institute of Standards and Technology (NIST) SBIR program solicits, from small businesses, scientific and engineering related R&D proposals for contracts that respond to specific technical needs described in NIST's annual SBIR solicitation. Only proposals responding to those specific technical needs expressed in the NIST Solicitation will be reviewed and evaluated for possible funding. SBIR programs do not fund projects that have already established a proof-of-concept. The first phase of any SBIR award is a feasibility study, and that phase may not be skipped.

Eligible Users:
Small science- and technology-based businesses.

Financing Type:
Innovation Finance | Access to Capital

Webinar Series

Join the Discussion! New Interactive Webinars from CDFA

4-Part Webinar Series: February–May 2013

The new Reshored Manufacturing Webinar Series focuses on best practices, resources, case studies, and strategies for supporting the rapidly growing trend of reshored manufacturing. Topics include: how to finance the needs of reshored manufacturers, assemble land, recruit vendors, and develop workforce strategies. One webinar will be offered each month from February through May. Register early to take part in the entire series of discussions.

Early Bird Registration Deadline: January 25, 2013

4-Part Webinar Series: Back for 2013

The CDFA SSBCI Webinar Series brings together state program managers and partners, as well as financial institutions and service providers to explore issues in the SSBCI community, including best practices, innovative programs, success stories, problem solving, marketing strategies, changing directions, leverage ratios, and more. In 2012, more than 65 people joined the SSBCI Webinar Series, including 40 states and territories.

Register by February 27, 2013 to take part in the Webinar Series

Register Online at www.cdfa.net

Gary Smith, Chester County Economic Council
2012 CDFA Lifetime Achievement Award Recipient

Congratulations

Thank you, Gary, for your contributions to the development finance industry. We are honored to recognize you with our industry's most prestigious award.

2011 National Volume Cap Report

Jason Rittenberg,
Research & Resources Coordinator
jrittenberg@cdfa.net

CDFA released the 2011 National Volume Cap Report this summer. The main finding in the report—that issuance of cap-subject private activity bonds (PABs) was down $1.8B or 13% in 2011 from 2010—was unfortunate, but also expected. At over 33%, the decrease in general municipal bond issuance from 2010 to 2011 was far more significant than for cap-subject PABs alone.

By the Numbers

12.8B Dollars of cap-subject private activity bonds issued in 2011.

41 Percent of total volume cap issued by states in 2011.

48 States that had committed more than $1 of SSBCI funds through Q2Y12.

Qualified PABs are tax-exempt bonds issued by a state or local government for a qualified public purpose. PABs issued for certain purposes, such as multi-family housing or small manufacturing facilities, are subject to the federally mandated volume cap. In 2011, states had a minimum volume cap of $95 per capita or $277.8M.

As a result of decreased issuance, states used just 15% of the total available PAB volume cap in 2011. States therefore reported electing to carry forward a record-high $54.2B of volume cap into 2012. The total PAB volume cap for 2012 will be approximately $85B. Issuance of cap-subject PABs will need to increase by nearly 664% to completely utilize this capacity.

While the issuance of PABs is not going to rise this dramatically, the bond market has seen far more action in 2012. General municipal bond issuance has been up by about 67% for the year, and PAB issuance is also likely to see an increase. This is certainly welcome news to CDFA and its members.

Industrial Development Bonds

The type of PAB that CDFA tracks the closest is Industrial Development Bonds (IDBs), which are Qualified Small Issue Bonds for manufacturing. These bonds facilitate access to low-cost capital for small- to mid-sized manufacturers, and they have been the primary bond finance tool issued by Council members.

2011 saw the fourth straight year of declining IDB issuance, from a high of $3.1B in 2007 to a low of $373.9M in 2011. This relatively paltry sum even hinges on a surprising $96.4M increase in IDB issuance reported by the state of Arizona. In fact, more than a dozen states bucked the national trend and increased their year-over-year issuance of IDBs.

On the whole, the plight of IDBs is impossible for our industry to ignore.

Calls for Participation

Revolving Loan Fund Program Profiles
Provide details on an economic development RLF so that it can appear in CDFA's new RLF Program database.

Tax Credit Finance Projects
Submit a project financed with federal tax credits.

To participate in any CDFA project, contact Jason or visit the Original Research Focus page at www.cdfa.net.

Access to affordable capital is a crucial component of business development. Job growth in the manufacturing sector has been inconsistent at best, and negative at worst (15,000 jobs lost in August). The low-cost financing available through IDBs may be one part of the solution for this industry. CDFA's American Manufacturing Bond Finance Act seeks to strengthen IDBs and support steady growth for manufacturers. See pages 8-9 in this issue for more information.

About the National Volume Cap Report

To complete the CDFA National Volume Cap Report, the Council surveys the state offices responsible for administering the volume cap and supplements responses with publicly-available use reports published by the states. CDFA relies upon state cooperation with this voluntary process and greatly appreciates all those who respond quickly and completely. For more information on states' issuance of PABs and use of volume cap, visit the National Volume Cap Map, available through the Bond Finance Resource Center on www.cdfa.net.

State Small Business Credit Initiative

The U.S. Dept. of Treasury's State Small Business Credit Initiative (SSBCI) provided $1.5B to states for the purpose of launching or bolstering state lending programs that could leverage private capital at a 10:1 ratio. The first states were approved spring 2011—some as recently as the start of 2012—and the program is active through September 2017.

The SSBCI is off to a promising, albeit inconsistent, start. The program is gaining momentum: each quarter has seen increasing loan volume. Through Q3 of 2012, ten states had used at least $10M of their allocation, and many of the states had supported enough loans to access at least their second tranche of the allocation. However, many of the states that are not experiencing this level of success are far behind—having used less than $1M of their allocation. A few states have yet to support a single loan through the program. Some states are clearly well on the way to utilizing their full allotment by 2017—but many states are on pace to leave thousands, if not millions, of dollars of small business lending support on the table.

To be clear, the fault does not lie entirely with the states. It is true that some entities have been less aggressive in their marketing or slower to effectively engage the banking and borrowing communities. Nonetheless, the program is facing administrative challenges, including response times from the Treasury that frequently last weeks, or even months, and audits from the Office of the Inspector General (OIG) that have been surprisingly aggressive.

CDFA is committed to support states with the SSBCI, including by working with the states, the Treasury, and the OIG to foster better communication and increase the clarity of the administrative processes. CDFA also hosts the SSBCI Portal, which provides a list of all SSBCI programs and documentation for most programs, at www.cdfa.net.

If you have a question about the programs or performance of the Initiative in your state, contact CDFA.

Advertise *in* CDFA's *Development Finance Perspectives*

CDFA's *Development Finance Perspectives* magazine is the only industry publication reaching thousands of development finance agencies and public issuers across the United States. Submit your ad today to reach this unique and engaged audience. Discounts available for multiple ads.

Perspectives reaches **15,500+** readers with every edition. Published three times per year, the magazine is a full color, 20+ page publication. Topics covered include:

Development Finance – bonds, tax increment finance, tax credits, access to capital, revolving loan funds, innovation finance, capital markets, public-private partnerships, federal programming

Industry News – advocacy, resources, education offerings, innovative approaches

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Read by every major representative in the development finance industry, you will find *Perspectives* on the desk of leading organizations such as:

Public Sector – public finance agencies, state and local economic development leaders, bond issuers, community development corporations, industrial development agencies, redevelopment authorities, port authorities, administrative offices in cities and counties of all sizes

Private Sector – municipal securities firms, economic development consulting firms, bond counsel firms, banks and underwriters, venture and seed capital funds, syndicators, site selectors

Placing an ad in *Perspectives* is easy. Several ad formats are available to meet your needs and budget. When you commit to advertise in three or more editions, you will save with special bulk rates. Select an ad format and then contact CDFA to secure your place in the next edition.

Ad Type	Size	1 Ad	3+ Ads
Standard Quarter Page Ad *No bleeds*	3.5"x4.5"	$300	$250 each
Standard Half Page Ad *No bleeds*	8"x5"	$600	$500 each
Half Page Ad, Back Cover *Exclusive: only 1 per edition; bleeds allowed; contact CDFA for specific dimensions*	8.25"x5.25"	$1,000	$850 each
Standard Full Page Ad *Bleeds allowed; contact CDFA for specific dimensions*	8.25"x10.75"	$1,200	$1,000 each
Full Page Ad, Inside Front Cover *Exclusive: only 1 per edition; bleeds allowed; contact CDFA for specific dimensions*	8.25"x10.75"	$1,500	$1,200 each

For more information or to place an ad, contact CDFA at 614-224-1300 or info@cdfa.net

Imagine Your Ad *in* Here!

Sample Ad Layouts

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Development Corner

Welcome CDFA's New Members
June 2012 – November 2012

Pueblo Urban Renewal Authority
Sandy City
Carlyle Capital Markets Inc.
Clay County Development Authority
California Pollution Control Financing Authority
Kosmont Companies
Health Education Authority of Louisiana
NHA Advisors
Corpus Christi Regional Economic Development Corporation
Economic Development Growth Engine for Memphis/Shelby Co
Industrial Development Authority of the County of Maricopa
Inglesino, Pearlman, Wyciskala & Taylor, LLC
Great Falls Development Authority
Salt Lake County
Lancaster County Redevelopment Authority
Rocky Mountain Communities
City of Richmond
City of Newport, RI
Capital City Development
Office of the New York City Comptroller
Fifth Third Bank - Ohio
Jobs Ohio
Ardmore Development Authority
Industrial Development Authority of Kansas City, Missouri
San Gabriel Valley Economic Partnership
Association to Invest In the USA (IIUSA)
City of Wausau
E Properties and Development
City of Thornton
Healthcare Association of New York State (HANYS)
Cleveland International Fund
Capital Access Group
City of Hutchinson
Squire Sanders
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Howard County
BondUnderwriter, Inc.
Greater Berks Development Fund
Dilworth Paxson LLP
Economic Development Corporation of Erie County
Montana Department of Commerce
Washington State Dept of Commerce
Trimont Real Estate Advisors
AT&T Performing Arts Center
Housing and Redevelopment Authority of the County of Butler
St. Johns County Industrial Development Authority
Quarles & Brady LLP

Record Year for CDFA Membership

Samantha Lynch, Development Coordinator, slynch@cdfa.net

This has been an amazing year for the growth of CDFA. A record 85 organizations have joined the Council in 2012, bringing the total number of CDFA members over 320. This participation has gone beyond merely joining: 229 members have attended training, 2,500+ receive DFRW, 30+ have received technical assistance, and more than 600 have logged onto a webcast.

Add to the growth by joining CDFA. Membership in the Council is for your entire organization and is active for one year. Each additional member organization strengthens CDFA's ability to provide education, advocacy, research, resources and networking for the development finance industry. We could not be more excited for the future, as we look to continue this growth into 2013!

Join CDFA

The benefits of being a CDFA member are on the rise. With this year's added benefits, you can't afford to miss out:

- Access to the member-exclusive Federal Financing Clearinghouse
- Reduced rates to CDFA training courses and the National Development Finance Summit
- Legislative and federal representation on Capitol Hill
- Member access to the Online Resource Database
- Complimentary job and RFP postings in CDFA's weekly e-newsletter, Development Finance Review Weekly
- Discounted publication rates in the CDFA Bookstore and special offers from industry partners

To learn more about CDFA membership, including dues, visit www.cdfa.net.

CDFA Sponsorship Drive For 2013

Kimberly Heckbert, Development Coordinator, kheckbert@cdfa.net

CDFA is in the midst of our 2013 sponsorship drive. As we start planning and promoting our activities for next year, there are countless ways for you and your organization to be involved and sponsor. Whether you wish to become a National Sponsor for the entire year or target specific events such as the National Development Finance Summit, State Roundtables, Webcasts, or Training Courses, CDFA has a variety of sponsorship opportunities. CDFA Sponsorship not only enables you to promote your organization to tens of thousands of development finance professionals, but also provides a unique opportunity to play an integral role in the ongoing development of the Council.

As we wrap up a very successful 2012, we want to say a big thank you to our 2012 National Sponsors!

2012 National Sponsors

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January

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

February - May

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

March

Fundamentals of Economic Development Finance Course
March 14-15, 2013
Washington, DC

August

Intro Public-Private Partnership (P3) Finance Course
August 6-7, 2013
Washington, DC

September

Intro EB-5 Finance WebCourse
September 18-19, 2013
Daily: 12-5pm (EDT)

GET ENGAGED!