



Exploring the Role of Revolving Loan Funds in Economic Development

Welcome

The Broadcast will begin at 2:00 PM (Eastern)

Thank you

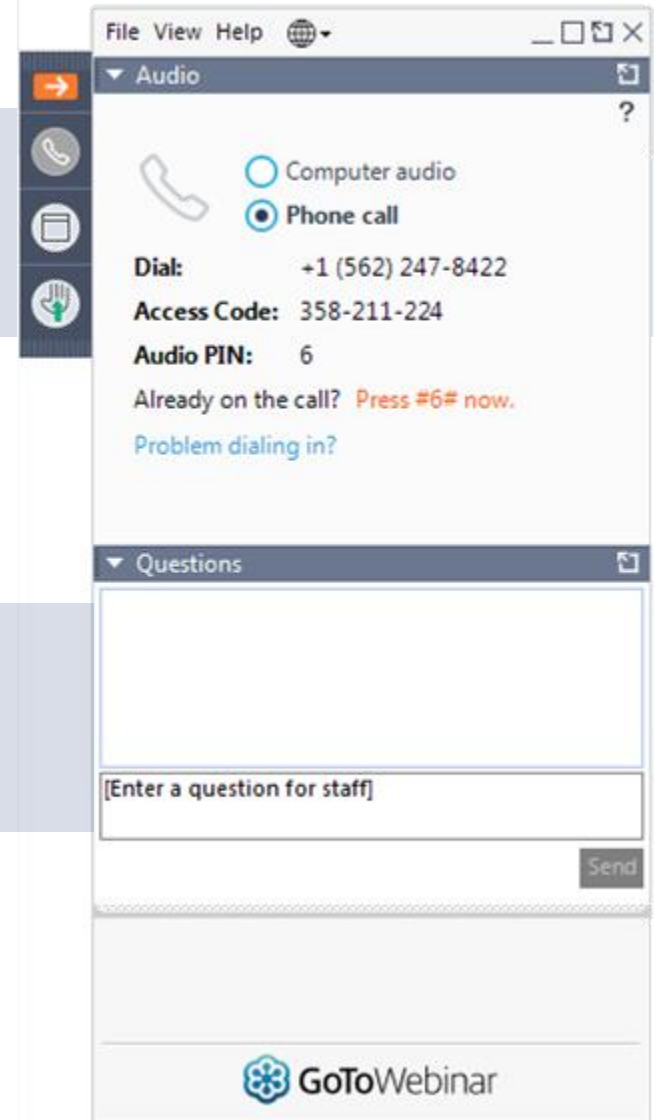
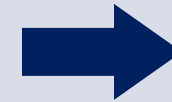
for joining the
conversation today.

Send us your
questions and
comments!



Exploring the Role of Revolving Loan Funds in Economic Development

Using your telephone will give you better audio quality.



Submit your questions to the panelists here.



Thank you

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



Exploring the Role of Revolving Loan Funds in Economic Development

Panelists



Harry Allen, Moderator

Research and Resources Coordinator
Council of Development Finance
Agencies



Bob Isaacson

Executive Director
Minnesota Department of
Employment and Economic
Development



Toby Rittner

President and CEO
Council of Development Finance
Agencies



Brett Doney

President & CEO
Great Falls Development Authority

Thank you

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

See all of CDFA's RLF resources online at www.cdfa.net



Exploring the Role of Revolving Loan Funds in Economic Development

Panelists



Harry Allen, *Moderator*

Research and Resources Coordinator
Council of Development Finance
Agencies



Bob Isaacson

Executive Director
Minnesota Department of
Employment and Economic
Development



Toby Rittner

President and CEO
Council of Development Finance
Agencies



Brett Doney

President & CEO
Great Falls Development Authority

Thank you

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

See all of CDFA's RLF resources online at www.cdfa.net



www.cdfa.net

CDFA EDA Revolving Loan Fund Webinar Series

Exploring the Role of Revolving Loan Funds in Economic Development



Presented By

Toby Rittner, DFCP, EDFP

President & CEO

Council of Development Finance Agencies

trittner@cdfa.net

www.cdfa.net

Copyright CDFA 2018



www.cdfa.net

CDFA's Five Focus Areas

Education

Advocacy

Research

Resources

Networking

CC

Council of

Development

Finance



16 Courses in the CDFA Training Institute

Fundamentals of Economic Development Finance Course

Intro Bond Finance Course & Advanced Bond Finance Course

Intro TIF Course & Advanced TIF Course

Intro Tax Credit Finance Course

Intro Revolving Loan Fund Course

Intro Energy & Water Finance Course

Intro Public-Private Partnership (P3) Finance Course

Intro EB-5 Finance Course

Intro Food Systems Finance Course

Seed & Venture Capital Course

Intro Brownfields Finance Course

Intro Rural Finance Course

Intro PACE Finance Course

Intro Incentives Course



Research, Resources & Advisory Services

Research and Compile Data for Development Finance Tools

- TIF State-by-State Statute Review
- National Bond Volume Cap Map & Report
- Federal Financing Clearinghouse (179 Federal Programs)
- State Financing Programs Clearinghouse

Provide Advisory Services for Clients

- Development Authorities
- Universities
- World Bank
- Federal Agencies



[Login](#)[Create Account](#)
[Can't Login?](#)

Advancing Development Finance Knowledge, Networks & Innovation

[About](#) [Events](#) [News](#) [Sponsor](#) [Subscribe](#)[Membership](#) [Education](#) [Resources](#) [Advocacy](#) [States](#) [Advisory Services](#)

Resources

CDFA houses the largest collection of development finance resources in the world and various online tools to support the industry. Click on the various resource sections below and go in-depth to learn more about the development finance tools and resources available.

[+ Online Resource Database \(ORD\)](#)[+ Resource Centers](#)[+ Federal Financing Clearinghouse](#)[+ State Financing Program Directory](#)[+ News & Headlines](#)

CDFA National Sponsors

Revolving Loan Fund Resource Center

Revolving loan funds (RLFs) are finance tools that can be used to help grow small and mid-sized businesses. A RLF is a funding pool that replenishes itself. As existing loan holders make payments, the payments are recycled to fund new loans. RLFs provide businesses with a flexible source of capital that can be combined with conventional sources. RLFs be used to fill the gap between the loan amount a borrower obtains from a private lender and the amount needed to sustain a business. Revolving loan funds issue loans at competitive rates, making them attractive to borrowers. Because RLFs must replenish the fund to make future loans, programs must maintain a balance between charging attractive rates and earning a reasonable rate of return.

RLFs are typically used for operating capital, acquisition of land and buildings, new construction, facade and building renovation, landscape and property improvements, and machinery and equipment. Loan duration varies according to use of the funds. To establish a revolving loan fund, the capital usually comes from a mix of public sources (local, state, and federal governments) and private sources (financial and philanthropic institutions). Most revolving loan funds are at least partially funded by local, public sources of capital. This funding is usually a grant and does not need to be paid back. RLF programs carry the risk of borrower default as well as constant pressure to replenish a fund so it may continue to make loans. However, through sound policies and procedures, these issues can be easily addressed and managed throughout the life of a fund.

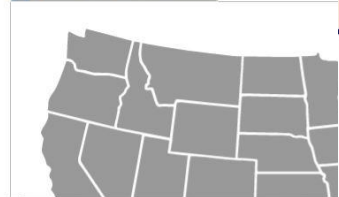
Want regular updates on RLF? Subscribe to CDFA's **Revolving Loan Fund Finance Update** newsletter.

⇒ [Subscribe](#)

RLF Program Database

The RLF Program Database provides details on loan funds throughout the country. To view details on a specific program, you must **login** with their unique CDFA username and password to access the entire database. Visit the [CDFA RLF Resource Center](#) to learn more.

- Search By State
- Search By Program



Bond Finance Resource Center

Bonds are the bedrock of public development finance. In its simplest form, a bond is a debt or a loan incurred by a governmental entity. The bonds are issued and sold to the investing public, and the proceeds are typically made available to finance the costs of a capital project. If the bonds are being issued for the benefit of a non-governmental borrower, the proceeds are often loaned to such borrower, and the borrower then makes loan payments corresponding to when principal and interest are due on the bonds. Bondholders receive interest over the term of the bonds, and such interest is often exempt from federal, state and local income taxes. The tax-exempt status of certain bonds makes them an attractive investment option for investors.

There are two types of bonds: Governmental Bonds (GOs) and Private Activity Bonds (PABs). GOs may be used for many public purposes (e.g., highways, schools, bridges, sewers, jails, parks, government equipment and buildings, etc.). Private entities may not significantly use, operate, control or own the facilities that are being financed. GOs benefit the general public, while PABs benefit private entities. A bond issuer's objective is to raise capital at the lowest cost. The tax-exempt treatment of GOs makes them the lowest cost option. However, various "private activity tests" serve to limit the amount of private sector involvement with facilities that are financed with GOs. PABs permit a larger degree of private sector involvement, but they do so at a higher interest rate. In the economic development industry, PABs are the development finance mechanisms that drive projects involving both the public and private sector.

Want regular updates on bond financing? Subscribe to CDFA's **Bond Finance Update** newsletter.

⇒ [Subscribe](#)

Tax Increment Finance Resource Center

Tax Increment Finance (TIF) is a mechanism for capturing the future tax benefits of real estate improvements, in order to pay for the present cost of those improvements. TIF is generally used to channel funding toward improvements in distressed or underdeveloped areas where development would not otherwise occur. Tax increment finance is a popular development finance tool generally used to address blight, promote neighborhood stability and inspire district-oriented development.

TIF uses the increased property or sales taxes (increment) generated by new development to finance costs related to the development such as public infrastructure, land acquisition, demolition, and planning. The life of a district can be anywhere from 10-40 years, or enough time to pay back pay back the costs or bonds issued to fund the improvements. The tax increment from a TIF district is created without raising taxes, and also without dipping into the base tax revenues present at the time of adoption. The increment thus becomes a repayment stream for debt used to finance some aspects of what is driving the increase.

Want regular updates on TIF? Subscribe to CDFA's **Tax Increment Finance Update** newsletter.

⇒ [Subscribe](#)

TIF State-By-State Map

This research was made possible through the generous support of Stifel Nicolaus & Company, Inc.



Hover over a state to see selected data. Click a state to see complete data below.

Ill Issue Manufacturing Bonds, are issued for qualified manufacturing support expansion and investment in existing manufacturing facilities, as nery and equipment. ⇒ [View More Resources](#)



10 Targeted Newsletters from CDFA

Tax Increment Finance UPDATE



This Week's

Features

Auditor: TIFs Good for D
Denver Business Journal: financing has been good revenue has been capture

Downtown Allentown H
According to Lehigh Valle has seen \$1 billion in new suburban office market st

Yarmouth Expects 3 TIF
The Forecaster reports th finance districts in downt

Metro North Plan Will S
Developers are seeking \$1 Mall site, according to the square feet of retail and 4

Council Adds \$1.25M fo
According to Crain's New



This Wee

Features

WI Closer to Paying \$400!
State senators struck a bip interest over 20 years, in pu the Assembly, according to

SEC Advocate: MSRB Pul
The Bond Buyer reports tha the MSRB's proposal to ea flawed" and "would undermi

CDFA // BNY Mellon Web
In this CDFA // BNY Mellon Rosenman LLP and BLX Gi

Putting the Public Back i
The New York Times report:

Bond Finance UPDATE



Development Finance Review WEEKLY

This Week's Highlights from the Development Finance Industry

Feature

Businesses Fume as Congress Lets Ex-Im Bank Stay Dead

Many have been waiting to see if Congress would resurrect the Export-Import Bank, but the House let town Wednesday for the August recess after passing a three-month Highway Trust Fund extension that includes no rescue for the bank.

LaGuardia to Get \$4B Facelift

Construction of a \$4 billion LaGuardia remodel will be managed by LaGuardia Gateway Partners, a new public private partnership chosen by the Port Authority of New York and New Jersey to build the project.

Rural Infrastructure Opportunity Fund Investments Announced

The first round of investments in projects through the U.S. Rural Infrastructure Opportunity Fund has been announced. Through public private partnerships, USDA has facilitated the

Brownfields Financing Technical Assistance Program

CDFA program funded by the U.S. EPA to provide:

- E-Newsletter & Resource Center
- Best Practices Publication & Webinar Series
- In-Person & Virtual Project Marketplace
- On-Site Project Response Teams

Contact CDFA to find out how to receive Brownfields Finance Technical Assistance!



Advancing Development Finance Knowledge, Networks & Innovation

Join CDFA Today!

Discounted Registration Rates for CDFA Trainings & National Summit

Reduced Rates for Publications in the CDFA Bookstore & Special Offers from Industry Partners

Exclusive Access to the CDFA Online Resource Database and Federal Financing Clearinghouse

Free Job and RFP Postings

www.cdfa.net

[@cdfa_update](https://twitter.com/cdfa_update)



CDFA – EDA Partnership

www.cdfa.net



Advancing Development Finance Knowledge, Networks & Innovation

[About](#) [Events](#) [News](#) [Sponsor](#) [Subscribe](#)

[Membership](#) [Education](#) [Resources](#) [Advocacy](#) [States](#) [Advisory Services](#)

CDFA EDA Revolving Loan Fund Best Practices Program

The EDA Revolving Loan Fund Program is a staple of the federal economic development access to capital delivery system. The program, established in 1975, is designed to provide grants to state and local governments, political subdivisions, and nonprofit organizations to operate a lending program that offers low-interest loans to businesses that cannot get traditional bank financing. Grant recipients are required to manage their RLF according to their RLF administrative plan, a document that describes the lending strategy and administrative procedures for a specific RLF project. The EDA has charged CDFA with developing an education program which will help to improve this crucial program.

CDFA has worked with the EDA to develop an innovative technical assistance approach to better supporting and improving the more than 500 EDA funded Revolving Loan Funds in the United States. The CDFA EDA RLF Best Practices Program will include a diverse set of offerings that will encourage learning, best practice collaborations, evaluations of service efficiencies and improvements, and a comprehensive resource collection and dissemination process.

Key program elements will include:

- **EDA Revolving Loan Fund Training**

CDFA will present its comprehensive Intro Revolving Loan Fund Finance Course once in each of EDAs six regions. The course curriculum will be tailored to address the specific needs of EDA RLF grantees with a focus on introductory elements related to program design, marketing, management, decision making, pre- and post-loan closing processing, disclosure and monitoring, underwriting strategies, program expansion, evaluations and program risk strategies.

- **EDA Revolving Loan Fund Webinar Series**

Understanding that not all RLF grantees will have the resources or ability to attend in-person training, the CDFA EDA RLF Best Practices Program will offer an exclusive online learning environment through CDFAs established webcast system. This learning module will include twelve, ninety minute, webinars focused on specific RLF program management best practices.

- **EDA Revolving Loan Fund Peer-to-Peer Learning Exchange**

CDFA and EDA will match low performing loan funds with high performing loan funds over the duration of the program in order to encourage learning from best practices. CDFA staff will lead conversations and pairings with most exchanges occurring as scheduled web meetings. Peer-to-Peer learning participants are encouraged to attend the regular webinars and then hold a follow-up meeting for a peer exchange on the same topic.

+ EDA Revolving Loan Fund Training

+ EDA Revolving Loan Fund Webinar Series



www.cdfa.net

Deliverable 1: RLF Program Training

- CDFA will offer six in-person training courses specifically tailored to address needs of EDA RLF grantees. Topics will include:
 - Program design
 - Marketing
 - Management
 - Decision making
 - Pre- and post- loan closing processes
 - Disclosure and monitoring
 - Underwriting strategies
 - Program expansion
 - Evaluations
 - Program risk strategies





Deliverable 1: RLF Program Training

www.cdfa.net

- Each RLF training will be held in a different EDA region. Proposed dates include:
 - Bay Area, California - April/May, 2018
 - Philadelphia EDA Region - June/July, 2018
 - Dallas, Texas - November, 2018
- CDFFA will hold trainings in the Chicago, Denver and Atlanta regions in 2019.





Deliverable 2: Online Learning

www.cdfa.net

- CDFAs will offer twelve, two-hour webinars focused on RLF program best practices including:
 - RLFs in the context of economic development
 - Program design and development
 - Underwriting and decision-making procedures
 - Loan monitoring and reporting
 - Fund recapitalization, expansion
 - Loan servicing solutions, efficiencies
 - Program marketing best practices
 - Successful and innovative program best practices
 - Strategies for addressing non-performance and loan defaults
 - Staffing and day to day management approaches
 - Developing a loan committee and monitoring their involvement
 - Using loan funds in conjunction with other development finance tools





www.cdfa.net

Deliverable 3: Peer-to-Peer Networking

- An innovative peer-to-peer learning process over the course of the two-year program that connects 50 lower performing RLF operators with 50 higher performing RLF operators.
 - Metrics to measure performance will be determined jointly by EDA and CDFA

- Exchanges will include:
 - Online learning
 - Networking at training courses
 - Networking at CDFA National Summit





www.cdfa.net

Deliverable 4: Online Resource Center

- CDFA will design a comprehensive online resource center focused on the EDA RLF Program. This will include:
 - Presentations
 - Program documents
 - Best practices
 - Case studies
 - Archives of training and online learning experiences
- CDFA will create an electronic best practices handbook to serve as a companion piece to CDFA's Revolving Loan Fund Reference Guide. This 10 page booklet will include best practices learned during CDFA EDA RLF Best Practices Program.





www.cdfa.net

Deliverable 5: Program Measurement

- CDFFA will work with the EDA to evaluate a RLF risk analysis system already in development at the agency and provide industry insight and review.
- CDFFA could provide suggested risk metrics, best practices performance measurements, or comparable analysis based on other Federal programs.





www.cdfa.net



Understanding Development Finance





What is Development Finance?

www.cdfa.net

- 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.





What is Development Finance?

www.cdfa.net

- Development finance requires programs and solutions to challenges that the local environment creates.
- Economic developers are the bridge between government and business and often direct the vision of a sound financing toolbox.
- Regional advantages can enhance development finance efforts through partnership, cooperation and mutually advantageous programming.





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.





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





www.cdfa.net

Development Finance Agency (DFA)

- Development finance agencies (DFAs) can be either public or quasi-public/private authorities that provide or otherwise support economic development through various direct and indirect financing programs.
- DFAs may issue tax-exempt and taxable bonds, provide credit enhancement programs, and offer direct lending, equity investments, or a broad range of access to capital financing mechanisms.
- DFAs can be formed at the state, county, township, borough or municipal level and often times have the authority to provide development finance programs across multi-jurisdictional boundaries.





DFA Examples

www.cdfa.net

- Industrial development authorities, boards or corporations
- Economic development authorities, corporations or councils
- Special purpose authorities (port, transportation, parking, development, energy, air, water, infrastructure, cultural, arts, tourism, special assessment, education, parks, healthcare, facility, etc.)
- Local and community development authorities, corporations or institutions
- Departments of development or commerce and finance authorities, divisions, or departments within state and local government
- Business development corporations, centers or districts
- Development and redevelopment authorities, commissions or districts





High Impact DFA

- Every state has authorizing language to allow for the creation of the DFAs
- DFAs that are able to manage and implement a variety of toolbox programs are considered “high performing”
- For those communities that do not have the means or capacity to create a high performing DFA, partnerships are critical

www.cdfa.net





www.cdfa.net

Landscape of Tools – 100s of Them





www.cdfa.net

Landscape of Tools – 100s of Them

- **Federal** – Over 100 federal financing programs for everything you can imagine – small business, redevelopment, environmental remediation, transportation, water, rural development, urban infill, underserved markets, capital improvements, energy, minority owned businesses, etc.
- **State** – Thousands of state programs including grants, loans, tax credits, subsidies, tax incentives, bonds, etc.





Tool Use Trends – RLFs

www.cdfa.net

- Over 43% of agencies use frequently
- RLFs represent the single most used finance concept nationally yet these tend to be largely overlooked and underutilized (and under appreciated)
- 26% of agencies have an RLF dedicated strictly to small business loans
- There is an estimated 25,000+ revolving loan funds in the United States
- 512 EDA revolving loan funds nationwide





The Toolbox & 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, Project Specific District Financing & Tax Abatements

Practice Area 3: Investment Tools

Tax Credits, EB-5

Practice Area 4: Access to Capital Lending Tools

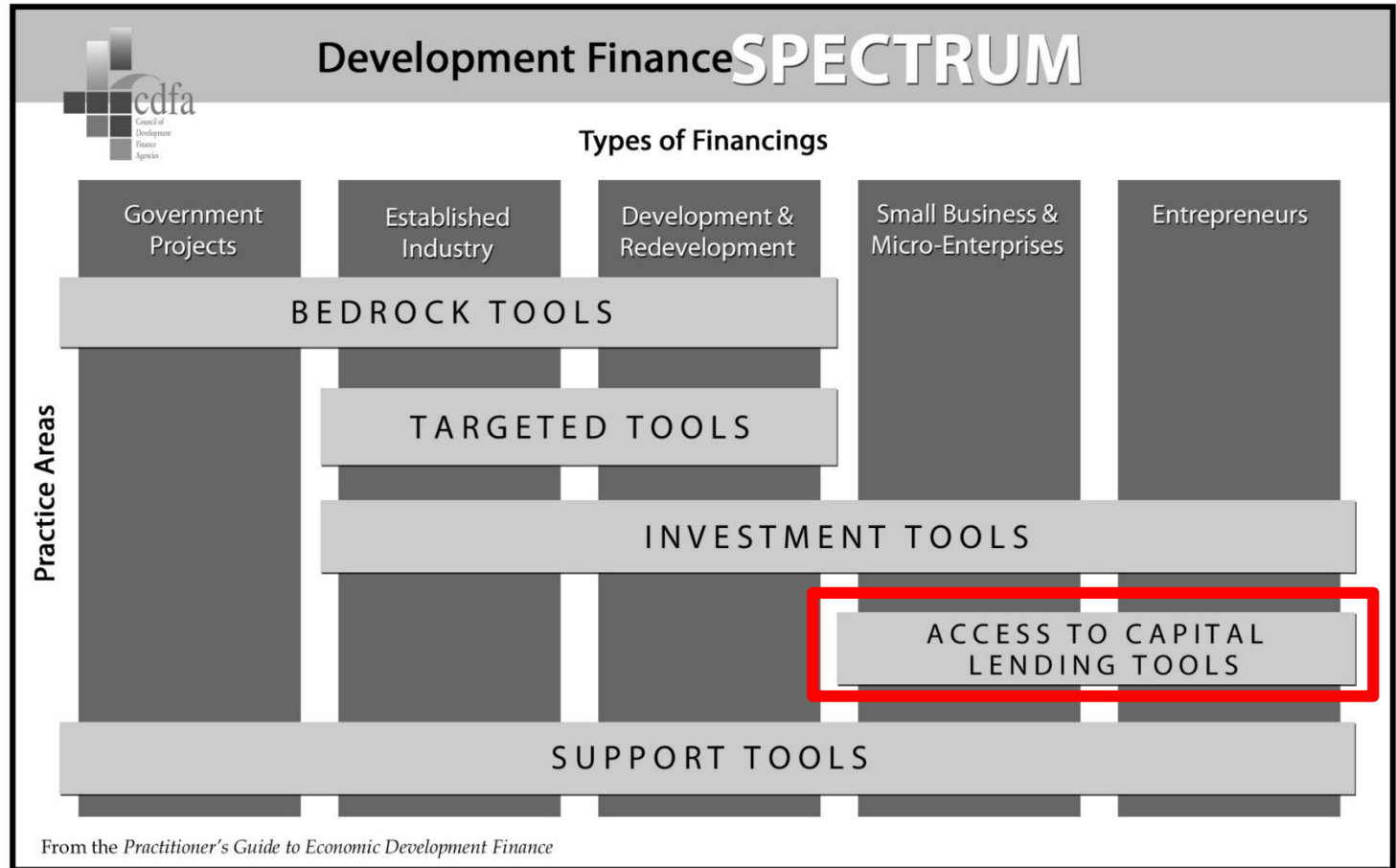
Revolving Loan Funds, Mezzanine Funds, Loan Guarantees and Microenterprise Finance, Seed & Venture Capital

Practice Area 5: Support Tools

Federal Funding



www.cdfa.net





Small Business Investment

www.cdfa.net

- Small businesses make up 99.7% of all firms, employ half of all private sector employees and account for 45% of the total U.S. payroll.
- Small businesses have also generated 60-80% of all new jobs annually over the past decade.
- Economic developers, however, have traditionally neglected small business development in pursuit of larger companies.
- Small businesses need access to affordable, reliable capital to get started and “working capital” for their day to day operations and for new investment.
- Communities that offer access to capital options are building relationships with their small business community as a partner and investor.





Access to Capital Tools

www.cdfa.net

- Access tools cover a wide variety of programs that are tailored to address specific industry needs, for businesses in different stages of development, largely at the local level. They can include:



- Revolving Loan Funds
- Mezzanine Funds
- Loan Guarantees
- Linked Deposit Programs
- Collateral Support Program
- Microenterprise Finance
- Seed, Venture & Angle Capital





www.cdfa.net

Revolving Loan Funds

- Gap financing measure primarily used for development and expansion of small businesses which struggle to obtain financing through traditional sources.
- Self-replenishing pool of money, utilizing interest and principal payments on old loans to issue new ones.
- Can be designed for broad sectors (small businesses) or for very targeted niches (facade improvements) to address myriad challenges in the community
- Designed to allow for greater flexibility for borrowers with significant consideration put on the growth opportunity of the borrower's business.





Capitalizing a RLF

www.cdfa.net

- Numerous sources exist for capitalizing or “seeding” a RLF including:
 - Federal Govt – EDA, EPA, USDA, HUD, etc.
 - State/Local Govt
 - Foundations
 - Banks – CRA contributions
 - Crowdfunding
 - Bond Issuances
 - Tax Set Asides
 - Annual Dues
 - Rate Payer Revenue
 - Appropriations





www.cdfa.net

RLF Characteristics

- RLFs don't compete with convention funding sources, they compliment them.
- Loan interest rates and terms can vary from very low to market rate and above.
- RLFs are not free money, they are loans with an expectation of repayment.
- RLFs require traditional loan procedures including:
 - Credit Analysis
 - Underwriting
 - Packaging
 - Closing
 - Servicing
 - Monitoring
 - Collections
 - Workouts





www.cdfa.net

RLF Characteristics

- RLFs should be staffed by financial and/or lending professionals or should involve partnerships with banks, credit unions and other lending institutions
- RLFs carry the risk of default and are a risk lending instrument
- RLF policies and approaches should reflect the relative risk profile of the loan fund and adhere to decision making that reflects the goal of the program
- RLFs are intended to be “evergreen” meaning that the program revenue (interest) earned on outstanding loans replenishes the fund to allow for ongoing new loans.





RLF Distinctions

www.cdfa.net

- Key to a successful program is flexibility, adaptability, aggressiveness and efficiency of program.
 - **Flexibility** – working with borrowers to craft a loan and repayment structure that works for the borrowers growth needs.
 - **Adaptability** – willingness of fund managers to change with the economy and the local lending environment to fill needs of borrowers at any given time.
 - **Aggressiveness** – effort made by loan fund manger to market program, catalyze leads and understand the needs of borrowers in the local market
 - **Efficiency** – ability of fund to be nimble, easy to use and available in a reasonable timeframe.





www.cdfa.net

Critical RLF Point

- Should not offer zero interest loans that do not generate program revenue.
- Are not free money and are not structured like a grant.
- RLF managers must charge effective rates to sustain the program and buffer against defaults.





Questions?

www.cdfa.net

Thank You!

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

www.cdfa.net





Exploring the Role of Revolving Loan Funds in Economic Development

Panelists



Harry Allen, Moderator

Research and Resources Coordinator
Council of Development Finance
Agencies



Bob Isaacson

Executive Director
Minnesota Department of
Employment and Economic
Development



Toby Rittner

President and CEO
Council of Development Finance
Agencies



Brett Doney

President & CEO
Great Falls Development Authority

Thank you

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

See all of CDFA's RLF resources online at www.cdfa.net

RLF Best Practices

Bob Isaacson

Executive Director, Business Finance

MN Dept. of Employment and Economic Development

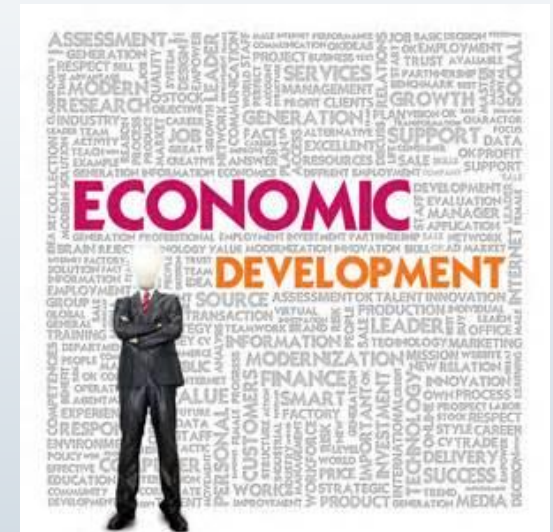
January 23, 2018

A little about DEED...

- Economic Development
 - Business and Community Development
 - Trade Office
 - Broadband Office
- Workforce Development
- Unemployment Insurance

Economic Development Programs

- Technical Assistance
 - Small Business Assistance
 - Small Business Development Centers
 - Minnesota Trade Office
 - Minnesota First Stop
 - Location Assistance
- Financial Assistance
 - Community Finance
 - Business Finance



Our Sandbox

- Business Finance – 20 programs
 - Loans, Grants, Tax Credits/Refunds
 - \$20 - \$40 million annually
 - We ❤️ partners



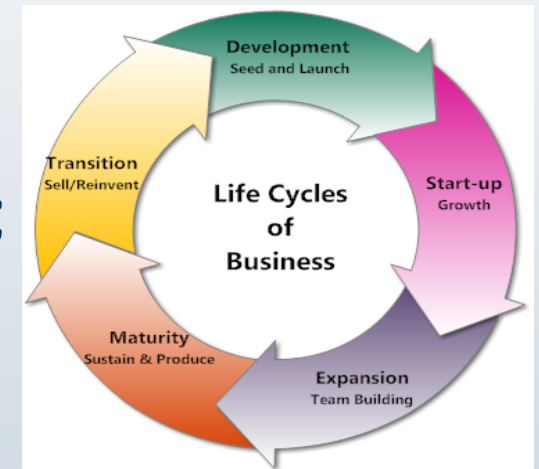
Drilling Down into Lending

- Loans
- Participation
- Loan guarantees
- Collateral support
- Capital access
- Linked deposit



Lending

- Non-commercial lending programs generally operate as gap financing tool that leverage other funds
- Assist throughout business cycle; terms will vary
- Often revolving loan funds; repayments seed future loans with consideration for losses



Land of 10,000 Partners

- Commercial banks
- Regional Development Commissions
- Initiative Foundations
- Non-profits lenders including CDFIs and CDCs
- USDA
- SBA
- EDA

Loan Participation

- Several programs operate as participation
 - Lender completes transaction and another lender purchases a share of the loan
 - Reduces risk for lender and ensures deal gets done
 - Servicing done by primary lender



DEED Programs

- Minnesota Investment Fund
- Emerging Entrepreneur Loan Program
- Angel Loan Fund
- Minnesota Innovation Loans for Entrepreneurs (MILE)

MIF

- Minnesota Investment Fund is largest program
 - Works in partnership with private financing
 - Interest rate/terms vary
 - Average loan = \$450,000
 - Seeds local Revolving Loan Funds
- In 2017, 16 loans
 - \$10.3 million
 - X,xxx new jobs
 - \$20+/hour average wage

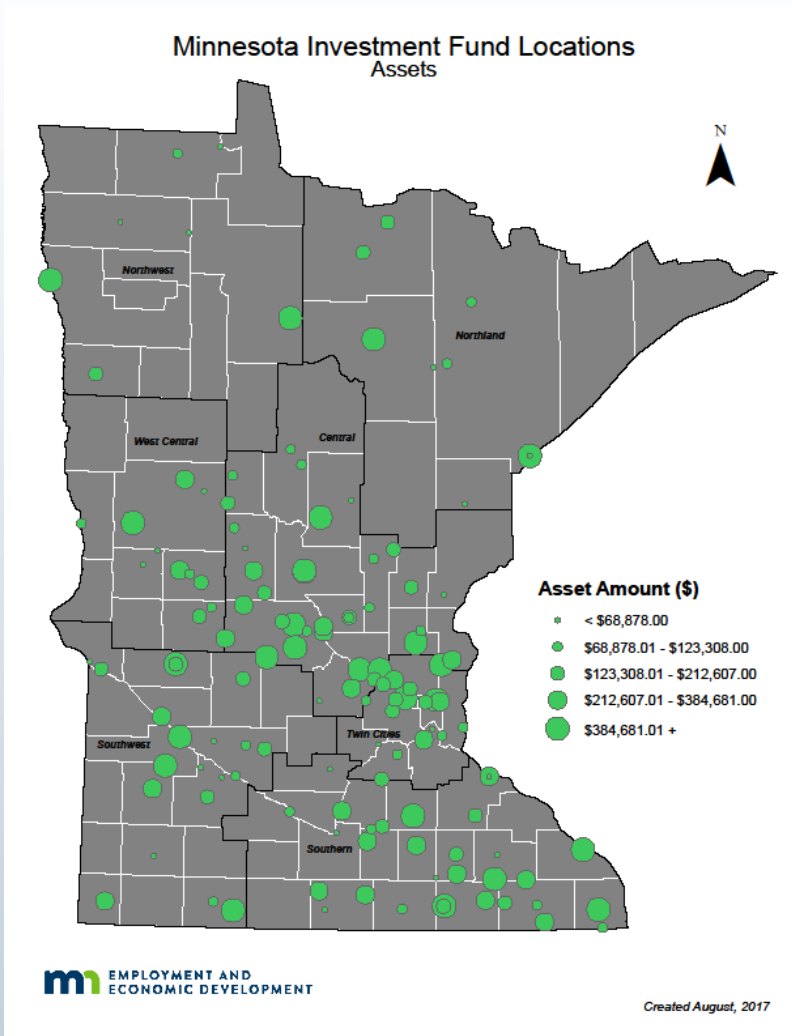


MIF - Funded RLFs

- Repayments seed revolving loan funds
 - DEED (Projected \$9 million by June 30)
 - Local (\$30+ million)



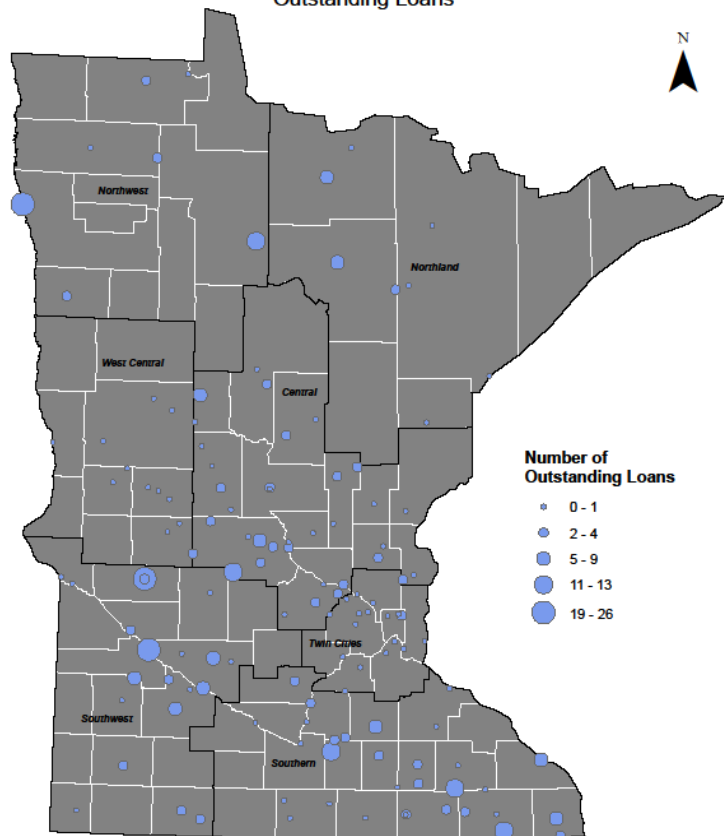
MIF RLF Assets



\$37.5 million
in Revolving
Loan Fund
Assets

MIF RLF Loan Activity

Minnesota Investment Fund Locations
Outstanding Loans



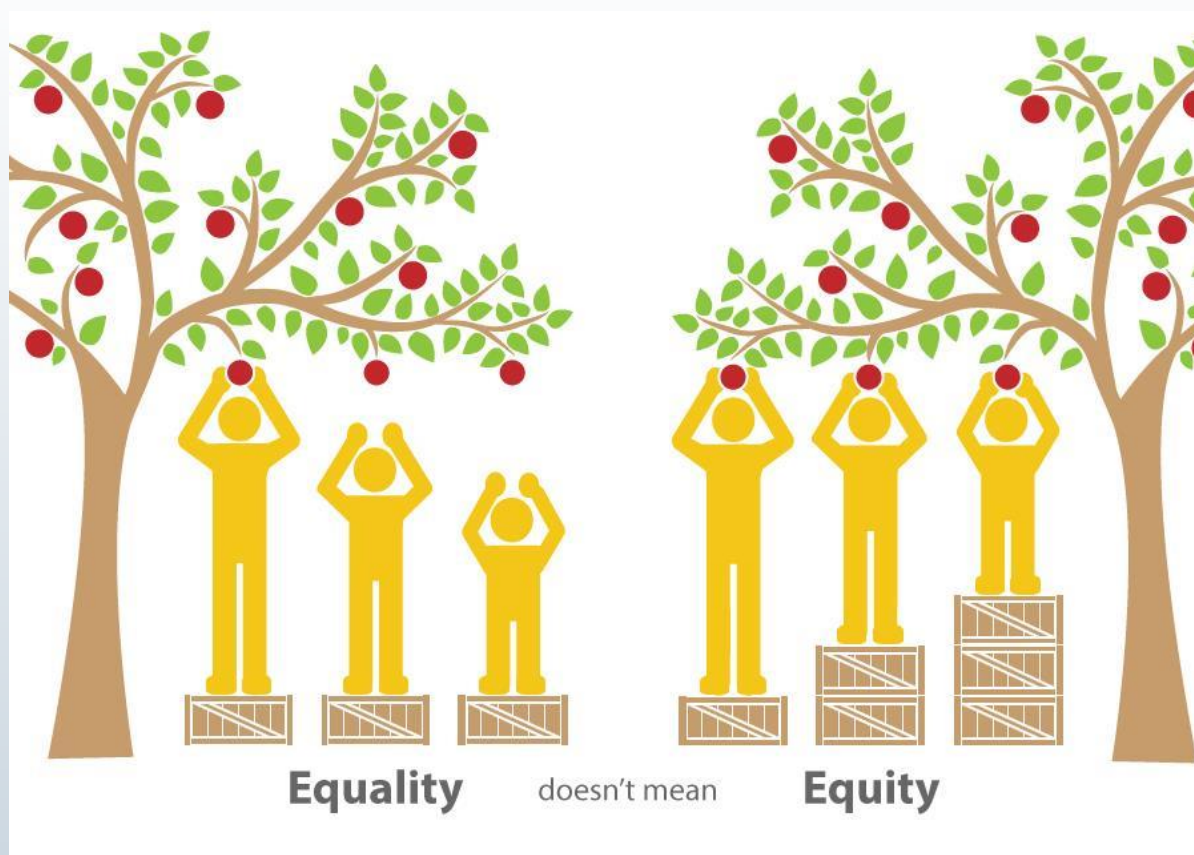
\$16.4 million
in outstanding
RLF loans

Land of 10,250 RLFs

- Commercial banks
- Regional Development Commissions
- Initiative Foundations
- Non-profits lenders including CDFIs and CDCs
- USDA
- SBA
- EDA

and local governments

Taking a harder look



Targeted Programs

- Emerging Entrepreneur Loan Fund
 - Provide funds to lenders after to fund loans to targeted groups
 - In 2017, 43 projects awarded \$1.3 million
 - Principle repaid to DEED; interest used by lender
 - Previous program awarded \$19.3 million on \$7.4 million of funding over 20 years

Targeted Programs

- Military Loans
 - Interest-free loans for start-up businesses
 - Funds repaid to DEED
 - Nearly \$1 million in loans from \$400K initial funding 9 years ago
- Other programs target resorts, geographic areas with legacy industries

Lending to Early Stage Companies

- Angel Loan Fund

- 10% of equity raised during period following approval
- 29 loans (\$4.3 million); \$50 million leveraged
- Repaid to DEED after 7 years



- MILE

- Match loan to recent private investment/debt
- Payments deferred; gradually increased over 3 years

Other uses for RLFs

- Loan guarantee
- Collateral support
- Capital access
- Among others!

Parting Thoughts

- RLFs are not “free” money
- Professionally manage – approval, terms, etc.
- Partner with other lenders if RLF is small or to minimize risk
- Diversify portfolio (in all aspects)
- Measure performance relative to policies
- Think to the future – evergreen fund that can be a sustainable source of loan funds

Capital is key to business growth and community vitality.





Exploring the Role of Revolving Loan Funds in Economic Development

Panelists



Harry Allen, Moderator

Research and Resources Coordinator
Council of Development Finance
Agencies



Bob Isaacson

Executive Director
Minnesota Department of
Employment and Economic
Development



Toby Rittner

President and CEO
Council of Development Finance
Agencies



Brett Doney

President & CEO
Great Falls Development Authority

Thank you

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

See all of CDFA's RLF resources online at www.cdfa.net



Great Falls, Montana
Development Authority

UNTAME
YOUR
entrepreneurial
SPIRIT

Role of Revolving Loan Funds in Economic Development



Great Falls, Montana
Development Authority

GFdevelopment.org



UNTAME
YOUR
adventurous
SPIRIT

UNTAME
YOUR
entrepreneurial
SPIRIT

Great Falls, Montana

- » Rocky Mountain Front MSA on Great Falls of the Missouri River
- » 13-county, 44,000 square mile agricultural region with 210,000 population
- » Large job loss in late 1970's; No job growth in 1980/90's
- » USAF ICBM missile base



Mission

- » Grow and diversify Great Falls regional economy.
- » Create higher wage career opportunities.
- » Improve market competitiveness.



Value Proposition

- » Leadership and resources to make things happen that otherwise would not

Results Matter.

See how we help companies like yours to succeed.



Great Falls Development Authority

- » 501 (c) 3 charitable non-profit corporation
- » Public/private partnership; 80+% private local investment
- » Community Development Financial Institution (CDFI)
- » \$12.5 million in loan capital
 - Goal to increase loan capital to \$15 million in 2 years
- » High Plains Financial affiliate SBA 504 CDC lender
 - 501 (c) 4 non-profit corporation staffed by GFDA



Strategic Directions

- » Business Startup, Retention & Expansion
- » Business Attraction
- » Manufacturing Partnership
- » Downtown & Riverfront Redevelopment
- » Commercial & Housing Development
- » Workforce
- » Great Falls AgriTech Park (heavy industrial rail park)



Host

- » Small Business Development Center (SBDC)
- » Procurement Technical Assistance Center (PTAC)
- » Montana Food & Ag Development Center
- » Montana Manufacturing Extension Center



1980's Debacle

- » Great Falls community lost over \$1.5 million in private grant funds by trying to operate an RLF/Investment Fund run by well-intentioned volunteers
- » GFDA strives to operate with the professionalism and discipline of a private consulting firm and lender



20th Anniversary of Our 1st Loan: Pasta Montana



GFDA Lending Track Record

- » Closed 138 loans
- » Money Lent \$47,659,424 16%
- » Capital Leveraged \$247,790,613 84%
- » Total Investment \$295,450,037
- » Loans have ranged from \$9,000 to a \$2,225,810 package
- » Cumulative Principal Write-offs \$455,528 1.4%
 - *Still actively recovering some of these funds*



Sources of Loan Capital

- » Economic Development Administration (EDA)
- » Community Development Block Grant (CDBG)
- » USDA Intermediary Relending Program (IRP)
- » EPA Brownfield
- » Community Development Financial Institution (CDFI)
- » State Small Business Credit Initiative (SSBCI)
- » City Tax Increment Financing
- » State MicroBusiness
- » Multi-Bank Line of Credit
- » Sell Loan Participations



Other Financing Used

» In-House

- SBA 504 Loans
- Angel Network and Equity introductions/assistance

Through Partners

- Tax Increment Financing
- Montana Economic Development Infrastructure Loans
- Historic Tax Credits
- New Market Tax Credits
- Industrial Bonds
- SBA Community Advantage (7a)
- USDA B&I Guaranty



4 Loan Products

- » Gap subordinate financing
 - Average 18% of deal
 - Up to 25 year amortization; typically 5-7 year balloon
- » Bridge subordinate financing
 - Average 16% of deal
 - Typically interest only with 2-3 year balloon
- » Brownfield Cleanup
 - Up to 80% of remediation costs
 - Low interest under 3%; can be long-term
- » SBA 504 Loans
 - Low equity, low fixed interest long term fixed national debenture



Lending

- » Deployment Goal: Average 85%
- » Objectives
 - Last-in/First-out
 - Smallest amount of capital needed to get deal done
 - Recycle our limited funds as fast as possible
- » Borrowers
 - Entrepreneurs, businesses, commercial real estate developers, multi-family housing developers, & non-profit organizations
- » Pricing 1-2% above participating bank rate
 - Internally buy-down rate if necessary for high impact deals
- » Risk commensurate with mission impact
 - Willing to take greater risk in return for higher mission impact



Power of Revolving Loan Funds

Key Tool in our economic development success

- » Enhances our coaching and technical assistance programs
- » Strengthens our business retention/expansion and attraction efforts
- » Bringing our own gold earns us a seat at the head table
- » Generally pays for itself, diversifying our organization's revenue stream
- » Increases our visibility in the community and region
- » Enables things to happen that otherwise would not
- » Boosts our clients, our investors and our partners



Helping Local Businesses Grow

UNTAME
YOUR
entrepreneurial
SPIRIT



Great Falls, Montana
Development Authority

GFdevelopment.org

Financing Entrepreneurial Dreams

UNTAME
YOUR
entrepreneurial
SPIRIT



Great Falls, Montana
Development Authority

GFdevelopment.org

While Creating Great Places

UNTAME
YOUR
entrepreneurial
SPIRIT

Mighty Mo Brewery



Great Falls, Montana
Development Authority

GFdevelopment.org

MIGHTY MO BREWING CO.



Financing Rural Entrepreneurs

UNTAME
YOUR
entrepreneurial
SPIRIT



Native Life

Where Indian Summer Meets Cowboy Christmas

Native Life, Browning



Great Falls, Montana
Development Authority

GFdevelopment.org

Creating Jobs and Better Jobs, for those who need them most -- Montana Eggs

UNTAME
YOUR
entrepreneurial
SPIRIT



Attracting World-Class Companies

UNTAME
YOUR
entrepreneurial
SPIRIT



Great Falls, Montana
Development Authority

GFdevelopment.org



INTERNATIONAL INC.







RLF's Boost Strategic Initiatives

- » Enables us to tackle strategic initiatives to improve our community/region and to improve our market competitiveness
- » Complements grants, tax increment financing, business improvement districts, and other sources of funding for strategic initiatives



Building Infrastructure that Businesses Need in order to grow

UNTAME
YOUR
entrepreneurial
SPIRIT





Great Falls AgriTech Park

UNTAME
YOUR
entrepreneurial
SPIRIT



Montana Specialty Mills Site

UNTAME
YOUR
entrepreneurial
SPIRIT





Redeveloping waterfront brownfields West Bank Landing

UNTAME
YOUR
entrepreneurial
SPIRIT









Financing Downtown Revitalization & Brownfield Redevelopment

UNTAME
YOUR
entrepreneurial
SPIRIT



Financing Historic Redevelopment

UNTAME
YOUR
entrepreneurial
SPIRIT



Montana Building, Great Falls



Great Falls, Montana
Development Authority

GFdevelopment.org

Arvon Block brownfield abandoned building

UNTAME
YOUR
entrepreneurial
SPIRIT



Now the Celtic Cowboy, Darkhorse & Hotel Arvon

UNTAME
YOUR
entrepreneurial
SPIRIT





Creating Workforce Housing

UNTAME
YOUR
entrepreneurial
SPIRIT

TALUS
APARTMENT HOMES







4 1/2' NO DRINKING 12'

NO DRINKING



DART
DART CONSTRUCTION
Project Talus II
1000 - 1000 Street South

Financing Essential Community Services

UNTAME
YOUR
entrepreneurial
SPIRIT



Financing Non-profit Facilities

UNTAME
YOUR
entrepreneurial
SPIRIT

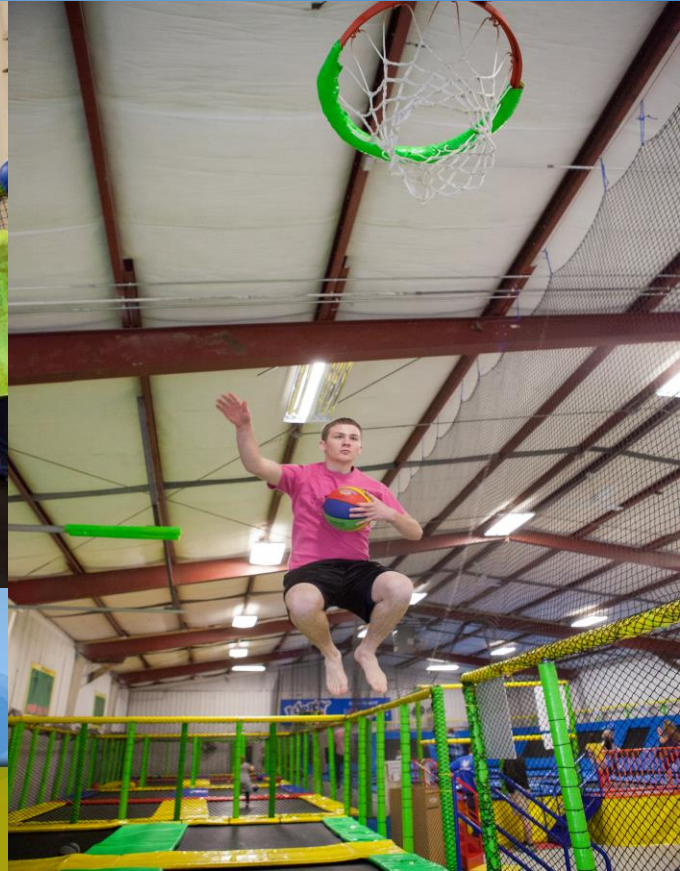


Great Falls, Montana
Development Authority

GFdevelopment.org

Creating indoor family recreation

UNTAME
YOUR
entrepreneurial
SPIRIT



Flippin' Family Fun



Great Falls, Montana
Development Authority

Leveraging Our Loan Funds

- » Entice banks to finance projects they otherwise would not
 - or to convince bank to finance higher % of deal
- » Enable entrepreneurs to start new ventures that otherwise would not be possible
- » Bolster existing businesses that now is the right time to expand, modernize and diversify
- » Encourage developers to tackle tough projects and bring new products to your real estate market



Need for Economic Development Financing Greater Than Ever

- » Fewer community banks
 - Fewer experienced loan officers in communities
 - Centralization of credit decisions
- » Many banks still cautious
- » Stricter bank regulations
- » Appraisals still coming in short
- » Deals cost more so gaps are larger today



SUBSCRIBE TO GFDA TOP 10

Text GFDA to 22828

Or, email me at Bdoney@GFdevelopment.org



Brett Doney

Great Falls Montana Development Authority

BDoney@GFdevelopment.org

Results Matter.

See how we help companies like yours to succeed.





Exploring the Role of Revolving Loan Funds in Economic Development

Question and Answer

Thank you

for joining the
conversation today.

Send us your
questions and
comments!



Exploring the Role of Revolving Loan Funds in Economic Development

Upcoming CDFA EDA RLF Best Practices Events

CDFA EDA Revolving Loan Fund Webinar Series: Maximizing Revolving Loan Fund Impact

February 20, 2018 | 2:00 PM Eastern

Register online at www.cdfa.net

Thank you

for joining the
conversation today.

Send us your
questions and
comments!



Advancing Development Finance Knowledge, Networks & Innovation

About Events News Sponsor Subscribe

Membership Education Resources Advocacy States Advisory Services

CDFA EDA Revolving Loan Fund Best Practices Program

The EDA Revolving Loan Fund Program is a staple of the federal economic development access to capital delivery system. The program, established in 1975, is designed to provide grants to state and local governments, political subdivisions, and nonprofit organizations to operate a lending program that offers low-interest loans to businesses that cannot get traditional bank financing.

CDFA has worked with the EDA to develop an innovative technical assistance approach to better supporting and improving the more than 500 EDA funded Revolving Loan Funds in the United States. The CDFA EDA RLF Best Practices Program will include a diverse set of offerings that will encourage learning, best practice collaborations, evaluations of service efficiencies and improvements, and a comprehensive resource collection and dissemination process.

Key program elements will include:

- EDA Revolving Loan Fund Training
• EDA Revolving Loan Fund Webinar Series
• EDA Revolving Loan Fund Peer-to-Peer Learning Exchange

EDA Revolving Loan Fund Training

EDA Revolving Loan Fund Webinar Series

EDA Revolving Loan Fund Peer-to-Peer Learning Exchange

EDA Revolving Loan Fund Resource Center

The CDFA EDA RLF Best Practices Program was prepared by the Council of Development Finance Agencies using Federal funds under award ED17HDQ3030053 from the Economic Development Administration, U.S. Department of Commerce.

About Events News Sponsor Subscribe Membership Education Resources Advocacy States Advisory Services

© Council of Development Finance Agencies
100 E. Broad Street, Suite 1200, Columbus, OH 43215 | Phone: (614) 705-1300 | Email: info@cdfa.net



Advancing Development Finance Knowledge, Networks & Innovation

About Events News Sponsor Subscribe

Membership Education Resources Advocacy States Advisory Services

What are Development Finance Agencies?

CDFA is proud to represent development finance agencies (DFAs) across the country. Learn how they finance the development priorities in their communities.

CDFA Upcoming Events

CDFA EDA Revolving Loan Fund Webinar Series: Exploring the Role of Revolving Loan Funds in Economic Development
January 23, 2018
2:00 PM Eastern

Fundamentals of Economic Development Finance WebCourse
January 24-25, 2018
Daily: 12:00 - 5:00 PM Eastern

CDFA // BNY Mellon Webcast Series: Transforming the Motor City: Redevelopment in the Rust Belt
Tuesday, February 13, 2018
1:00 PM Eastern

CDFA EDA Revolving Loan Fund Webinar Series: Maximizing Revolving Loan Fund Impact
February 20, 2018
2:00 PM Eastern

View CDFA Events

Right Now at CDFA



Tax Cuts & Jobs Act
Tim Fisher
Manager, Legislative & Federal Affairs
Tax reform will change the tax code for decades to come. It also preserves PABs! Here's an early look by The Bond Buyer outlining the impact of the bill on development finance. CDFA will be releasing more details in the days to come.

Learn More

CDFA National Sponsors



Become a Sponsor



Development Finance Headlines

- Ohio's Smart Mobility Resource and Assets
Sens. Cornyn, Warner Introduce PAB P3 Bill
US CoC Urging Congress to Expand PABs
Skidmore, MO, Approves \$11M Bond Issue for Water/Sewer Project
OK Bill would Eliminate Renewable Energy Tax Credit
Murphy Orders Review of NJ's Tax Credit Programs
RI Housing Agency Approves LIHTC Financing
DCHFA Closes \$11M Deal to Fund DC Affordable Community
Two BIDs Move Closer to Being Established in the Bronx
\$400M Plan Proposed to Save the Salton Sea Involved the Creation of an EIFD

CDFA Partners



View Partners

About Events News Sponsor Subscribe Membership Education Resources Advocacy States Advisory Services

© Council of Development Finance Agencies
100 E. Broad Street, Suite 1200, Columbus, OH 43215 | Phone: (614) 705-1300 | Email: info@cdfa.net



Exploring the Role of Revolving Loan Funds in Economic Development

Thank you

for joining the
conversation today.

Send us your
questions and
comments!



Harry Allen

Research and Resources

Coordinator

614-705-1315

hallen@cdfa.net

This webcast is designed to provide accurate and authoritative information in regard to the subject matter covered. It is available with the understanding that CDFA and the panelists are not engaged in rendering legal, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional should be sought.