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Making the Most of \$7B in NMTC Allocation

The Broadcast will Begin at 1:00pm Eastern

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Cayla Matsumoto

Director, Education
Council of Development Finance Agencies
Columbus, OH

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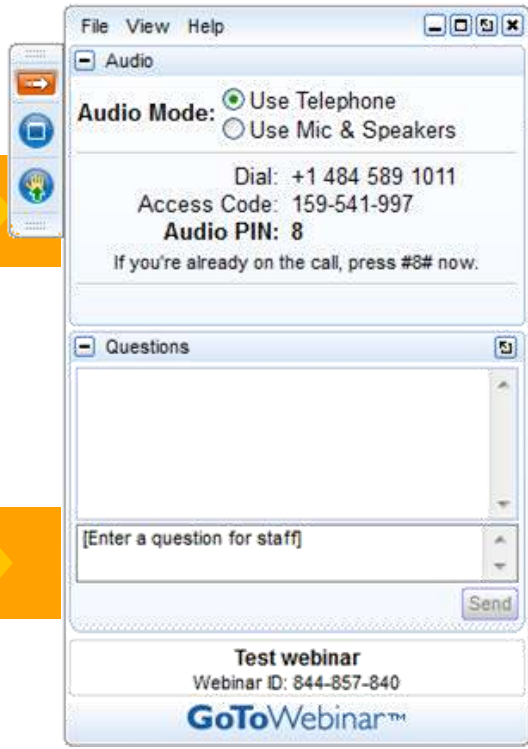
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Intro Tax Increment Finance WebCourse



May 10-11, 2017
Daily: 12-5pm (Eastern)

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Panelists

Rena Nakashima, *Moderator*

Senior Product Manager
The Bank of New York Mellon

Bob Labes

Partner
Squire Patton Boggs

Nathanael Voss

Principal and Managing Director
Baker Tilly

Farshad Maltes

Director of Strategic Business
Development
WHEDA

Cam Turner

Principal
United Fund Advisors

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Making the Most of \$7B in NMTC Allocation



Rena Nakashima

Senior Product Manager
The Bank of New York Mellon
Los Angeles, CA

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Nathanael Voss

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Candor. Insight. Results.

Baker Tilly Experience

About Baker Tilly



Candor. Insight. Results.

What defines a nationally recognized firm?

- > Revenue above \$150 million
- > Multiple locations in different major regions of the country
- > Specific industry capabilities
- > Firm association or network affiliation extends around the world
- > Strong brand recognition in operating areas
- > Clients in essentially all parts of the country
- > Reputation among peers for quality and ability to service clients nationally
- > Leadership inside the profession through participation in key professional activities



New Markets Tax Credit experience

- > Baker Tilly involved with NTMCs since the program's inception in 2000
 - Closing one of the fist 6 transactions in 2003
- > Baker Tilly Capital, an affiliate of Baker Tilly Virchow Krause, is the controlling entity to Baker Tilly CDEs (The Valued Advisor Fund and The Business Valued Advisor Fund), which have received combined allocations totaling \$233.4 million in NMTCs
- > Assisted in closing 300+ NMTC transactions to date, bringing investment value of over \$7.4 billion to distressed communities nationwide through the deployment of \$5 billion of NMTC allocation
- > Worked with many CDEs across the country on a variety of projects
- > Provide application consulting services
- > Provide servicing for CDEs on deployed NMTCs allocation

The Business Valued Advisor Fund



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CDE Focus

- > The Business Valued Advisor Fund has a principle vision of providing investments and services that provide for long-term sustainable growth opportunities in our nation's disadvantaged communities
- > Through investment in community prioritized transactions
- > In coordination with partner CDFIs and CDEs
- > Focusing on high quality job creation and placement with low income persons and low income community residents
 - Access to fresh and affordable healthy foods
 - Access to vital community services that expand sustainable qualities of the community served



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Current State of the Market

What do CDEs look for in projects?



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Good NMTC projects

- > Demonstrated need
 - But for
 - Sizing of allocation
- > Impact
 - How impact low-income individuals?
 - How measured?
 - How benchmarked?
- > Timing
- > What doesn't work?
 - Certain asset classes (hotels)
 - Insufficient impact

Recent History



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Timeline

- > December 2015 – 2015 NMTCs application submitted
- > December 2015 – Protecting Americans from Tax Hikes (PATH) Act enacted, authorizing the NMTCs program for five years
- > April 2016 – Community Development Financial Institutions Fund (CDFI Fund) announces the combination of the 2015 and 2016 rounds
- > November 2016 – CDFI Fund announces \$7 billion of NMTC awards
- > June/July 2017 – Anticipate the 2017 application will be due

\$7 billion of allocation



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Allocation has gone quickly!

- > Time between awards
- > Strong demand
 - CDEs
 - Projects
- > CDEs pipeline
- > What are we seeing in the market?

Strategy for taking advantage of NMTCs



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Start early and impact, impact, impact!

> Start discussions with CDEs early

- Share project information with a focus on financing need, impact, and timing
- Be clear about alignment with community goals
- Find CDEs with a geography and mission fit for the project
- Discuss being included as a priority pipeline project in the CDEs application

> Impact

- Clearly define and measure
- Benchmark (wages, services, training, environmental outcomes to show how project compares to benchmarks)

> Impact – One more time for good measure

How can a project take advantage of the \$7 billion of NMTCs

> Geography

- Limited geography CDEs might have some allocation remaining if service area does not have a strong project pipeline

> Complex

- Tough projects to finance with a large financing gap and as a result some will inevitably will not close.

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Council of Development Finance Agencies

Making the Most of \$7B in NMTC Allocation

Cam Turner

Principal, United Fund Advisors

cam@unitedfundadvisors.com

UNITED FUND ADVISORS

- **B-Corp Fund Management / Advisory Services**
- **National Community Fund I, LLC**
 - National; all asset classes
 - \$687M of allocation; 10 awards
 - 95 investments, ranging from \$5,000 to \$20M; \$2.5B of development
- **Advisory (Technical Assistance)**
 - CDFIs, government agencies, investors, developers
 - \$1.8B of allocation
 - 105 investments; \$2.6B of development

AWARD STATUS

- **Total Awards**
 - \$50B awarded since CY2001-02 round
 - \$7B awarded in CY2015-16 round
 - \$671M “available” from earlier rounds
- **Past 5 rounds**
 - \$21.1B awarded to \$111.9B of requests
 - 437 awards to 1,400 award requests (700 rated “highly qualified”)
- **Dwindling community development resources**

NCF EXPERIENCE

- **Pre-CY2015-16: each allocation deployed within 12 months**
- **CY2015-16**
 - 100+ financing requests across 26 states
 - Closed \$41M for 3 projects (starting February)
 - Closing \$39M for 2 projects (grocery/housing and charter school) and small business fund
- **Trends/Issues**
 - Pricing as high as \$.90/credit (up from \$.67 during market crash)
 - Professional congestion
 - CDE efficiency

NCF EXPERIENCE

- Is there enough allocation? No!
- “Tier 2” projects
 - Steel manufacturing in Non-Metropolitan County
 - Grocery store in Identified State
 - FQHC in FMUA
 - Charter school in Identified State
 - Affordable Housing/Job Training Center and Incubator
- Shovel ready
 - All ready to start construction
 - Need exceeded NCF allocation
 - All still looking for allocation

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Bob Labes

Partner
Squire Patton Boggs
Cleveland, OH

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The Current State of The Federal NMTC Program



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Squire Patton Boggs Overview

- Full service, providing high-quality, solution-driven legal services to business enterprises, financial institutions and governmental entities around the world
- More than 1,500 lawyers in 46 offices among 21 countries
- Operating as a “one-firm firm” allows us to efficiently leverage our collective experience
- We listen to clients, understand their business and prevent and solve problems
- We are focused on delivering value to our clients

NMTC EXPERIENCE

Squire Patton Boggs represents

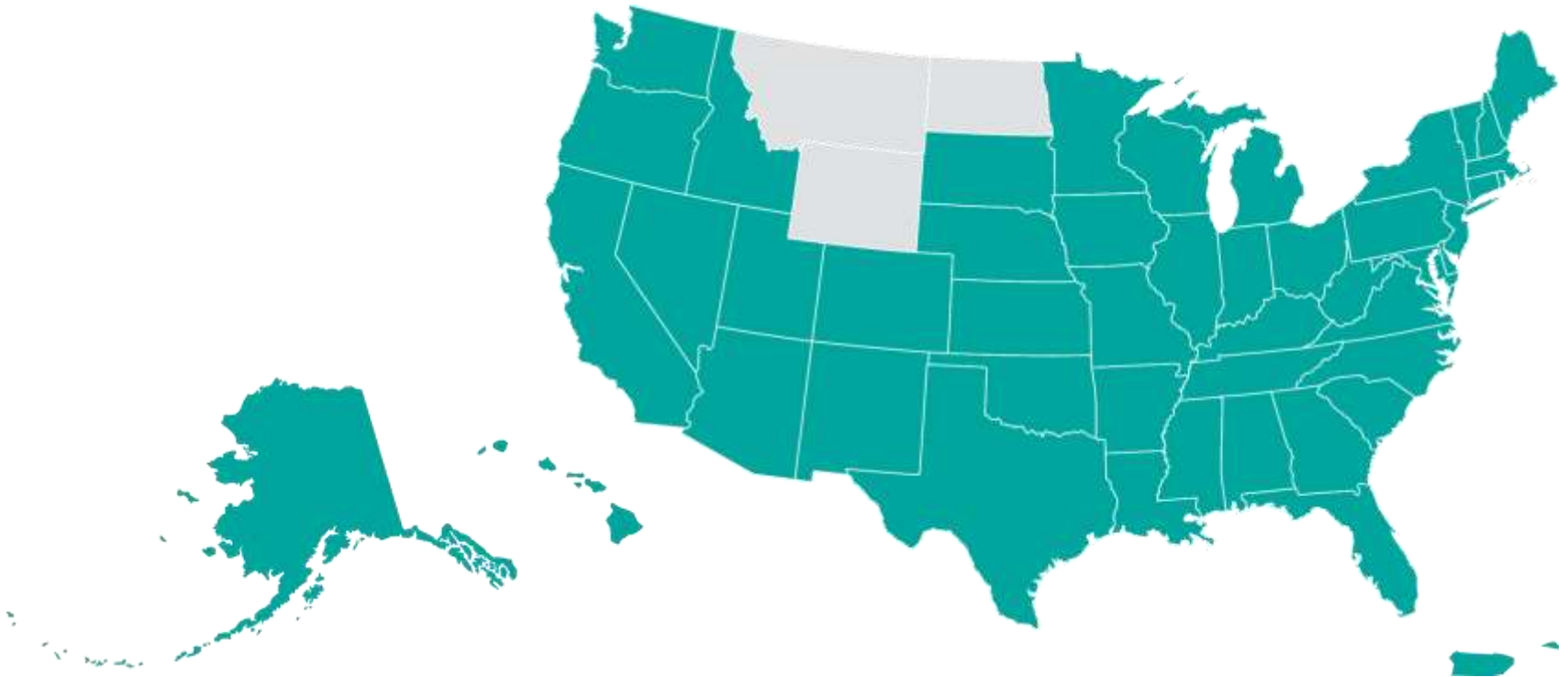
- Investors making Qualified Equity Investments
- CDE's making Qualified Low-Income Community Investments
- Developers benefitting from NMTC financing
- Leverage Lenders and direct lenders on NMTC projects

We have experience

- Combining Tax Exempt Finance and NMTCs
- Combining NMTCs with historic rehabilitation tax credits
- Combining NMTCs with federal funding, such as HUD 108 loans
- Combining NMTCs with LIHTCs on mixed-use projects

Tax Credit Experience

■ = States where we have tax credit experience



How Did We Get to Where We Are Today

- NMTC Program was initially authorized for a limited period of years in the last days of the Clinton Administration.
- After the initial expiration, the NMTC program was subject to renewal. As Congress became more partisan, renewals took longer, so the program rounds began and ended later and later each year
- By 2015, the program had fallen well behind
- In 2015, the NMTC Program was extended for five years, so now the NMTC expires on December 31, 2019
- In order to “catch up” the CDFI Fund combined two rounds into one, so the \$7 Billion awarded in November 2016 was really the 2015-2016 allocation.
- Given the delay in getting the 2017 NOFA out, the 2017 round will likely not be awarded until late 2017 or early 2018

NMTC AWARDS TO DATE

Round	Year(s)	Total Allocation
1	2001–2002	\$2,491,000,000
2	2003–2004	\$3,500,000,000
3	2005	\$2,000,000,000
4	2006	\$4,100,000,000
5	2007	\$3,909,000,000
6	2008	\$5,000,000,000
7	2009	\$5,000,000,000
8	2010	\$3,500,000,000
9	2011	\$3,600,000,000
10	2012	\$3,500,000,000
11	2013	\$3,500,000,000
12	2014	\$3,500,000,000
13	2015-2016	\$7,000,000,000
	Total	\$50,500,000,000

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The Wisconsin Housing and Economic Development
New Market Tax Credit Market Review

Farshad Maltes

Director Strategic Business Development

April 18, 2017



WHEDA's New Markets Tax Credits Experience

- The Wisconsin Housing and Economic Development Authority (WHEDA) through the Greater Wisconsin Opportunities Fund (“GWOF”) just was awarded a \$75 million allocation of New Markets Tax Credit (NMTC). Previously, WHEDA-controlled entities were awarded 8 allocations totaling \$575 million.
- GWOF is unique in being a collaboration including seven Wisconsin CDFIs.
- Most of GWOF’s fees go to its CDFI partners.
- GWOF utilizes both the leverage model for deals larger than \$5 million and loan pools for smaller deals.
- GWOF tries to maximize the benefits of NMTCs through community benefits agreements with recipients.

Current NMTC Market

- In Wisconsin, very high demand for NMTCs.
- GWOFF has a pipeline of \$300 million leverage deals and over \$100 million of loan pool deals.
- Pricing has been around .87-.89 cents to the tax credit dollar—a historical high.
- Seeing more creative uses of NMTCs that is expanding the markets for NMTCs:
 1. More NMTC loan pools are being financed that bring the benefits of NMTC to smaller projects.
 - GWOFF loan pools provide fixed-rate, interest-only loans with subordinate collateral position for seven years.
 - Loans can be as small as \$250,000. Target rural and minority businesses in Transform Milwaukee Initiative area.
 2. NMTCs are being combined with USDA guarantees—Menomonie Food Coop
 3. NMTCs are being used concurrently with Low Income Housing Tax Credits—Milwaukee Villard Square combined LIHTC housing and a public library.
 4. Seeing NMTCs help finance more rural infrastructure.

Where to Get More Information

- www.wheda.com
- Farshad Maltes, Director Strategic Business Development, WHEDA
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 - farshad.maltes@wheda.com

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Tuesday, May 16 @ 1:00 pm Eastern

Financing Historic Theater Redevelopment

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