

FLORIDA COMMUNITY LOAN FUND

New Markets Tax Credit Program

The New Markets Tax Credit (NMTC) Program was created by Congress in December 2000 to encourage the flow of private investments into very low-income communities. To date nationally, over \$20 billion of private sector capital has been invested through the NMTC Program into urban and rural communities throughout the country, helping to create or retain hundreds of thousands of jobs and provide low-income residents with access to quality education, health care, job training, housing, and critical retail services in their communities.

FCLF was the first Florida based entity to receive a New Markets Tax Credit Allocation, and has received a total of \$111 million in NMTC allocation. FCLF's NMTC program seeks educational and health-related community facilities along with Green and job creation projects. FCLF continues to be the only Florida based entity with significant experience in closing NMTC transactions.

Does NMTC fit your Project?

- ▶ Longer amortization or interest-only loans
- ▶ Below market effective rates for 7-year term loans
- ▶ Higher effective LTVs than conventional loans
- ▶ Option of equity conversion

FCLF's NMTC Focus

- ▶ Non-profit community facilities, such as charter schools and health centers
- ▶ Green Projects, such as renewable or solar energy
- ▶ Economic Development Projects that catalyze neighborhoods, such as grocery stores in food deserts

FCLF NMTC Facts

- ▶ 8 Projects to date, including 3 charter schools, 2 health related facilities, 3 Green projects
- ▶ \$111 million in tax credit allocation authority received
- ▶ 559,900 square feet of facilities
- ▶ 1448 temporary jobs
- ▶ 1063 permanent jobs

ASPIRA OF FLORIDA MIAMI

2 PROJECTS, TOTAL: \$15.8 million
FCLF NMTC ALLOCATION: \$17.1 million

ASPIRA of Florida is a nonprofit organization operating charter schools, after-school programs, and community outreach programs in South Florida, with an emphasis on education of Latino and other minority youth. Using the NMTC Program, ASPIRA has funded 2 projects: ASPIRA North, a \$7.4 million renovation and expansion of a charter school; and ASPIRA Eugenio Maria de Hostos, an \$8.4 million purchase and renovation of a charter school building. The ASPIRA schools serve primarily low-income children, with over 85% of their students Title I qualified. Acquisition and renovation of these buildings allowed the schools to increase enrollment, by 100% in the first project and by 70% in the second.

Through the NMTC structure, ASPIRA will receive additional equity funding at the end of each 7-year loan, allowing the organization to use less of its own equity. Other benefits include lower-than-market blended interest rates and lower debt service coverage requirements.



Investor:
U.S. Bancorp Community
Development Corporation

Lenders: NCB Capital Impact,
Fifth Third Bank

Additional NMTCs:
Stonehenge Capital

www.aspirafll.org

JACKSONVILLE ALLIANCE FOR KIPP SCHOOLS JACKSONVILLE

TOTAL PROJECT: \$26.2 million
FCLF NMTC ALLOCATION: \$15 million

JAKS is a non-profit organization operating one of the nationally-recognized KIPP charter schools on the site of a former greyhound racetrack and clubhouse. KIPP (Knowledge Is Power Program) schools are known for preparing students from underserved communities for success, with a national average of 85% of students going on to college. Phase 1, a 400-student middle school, opened in fall 2010; it will be followed by 2 more schools

as all 4 floors of the 150,000sf building are renovated. Upon completion, the multi-school campus will create 130 permanent jobs and serve up to 1,200 students.



www.kipp.org

FCLF provided \$15million in NMTC allocation along with an \$11million allocation from LISC/NEF to support funding for this project. The KIPP school is located in an educationally underserved community. In addition to the economic and social impact of bringing the KIPP school to this community, the project features the adaptive reuse of an abandoned greyhound racing facility that has been an eyesore for years.

Investor: U.S. Bancorp Community Development Corporation
Additional NMTCs: National Equity Fund

WEXFORD SCIENCE + TECHNOLOGY UNIVERSITY OF MIAMI LIFE SCIENCE RESEARCH PARK, MIAMI

TOTAL PROJECT: \$116.8 million
FCLF NMTC ALLOCATION: \$5.7 million

Wexford Science + Technology is developing the UM Life Science Park to provide opportunities to foster the development of life sciences, technology, and biotechnology innovations. This 300,000 sf complex, adjacent to the University of Miami, will include a research lab and a business incubator for emerging businesses affiliated with university research.

FCLF's NMTC allocation was used to help attract additional NMTC and conventional funding for pre-development and construction of the first building in the park. The project has created 790 jobs during construction and will create 539 permanent jobs when fully occupied. The project is located in a census tract with 39% MSA and 43% poverty rate. Construction of the research park began in December 2009 and was recently completed.

Investor: U.S. Bancorp Community Development Corporation

Additional NMTCs: Urban Research Park

Lender: M&T Bank, Townsend Capital, and others



www.umlsp.com

SOLARSINK MANUFACTURING FACILITY TALLAHASSEE

TOTAL PROJECT: \$16.6 million
FCLF NMTC ALLOCATION: \$12.5 million

SolarSink, LLC will produce heatsink technology and create a solar array on a 5-acre site, utilizing innovative technology developed in conjunction with Florida State University. This technology allows solar energy to be efficiently converted to electricity, and power produced will be used in the manufacturing facility, other local businesses, and sold to the municipality's power grid. This project is in a highly distressed census tract with 49% poverty rate and will provide 137 temporary and 55 permanent jobs.



A Prototype Solar Tube

The SolarSink Manufacturing Facility project financing includes NMTC credits from the State of Florida, a Federal Energy Grant, and funding from Stonehenge Capital Funding, US Bank CDC and others. Construction of the manufacturing facility began in spring 2011.

Investor: U.S. Bancorp Community Development Corporation
Lender: Hunter & Harp Holdings
State NMTCs: Stonehenge Capital

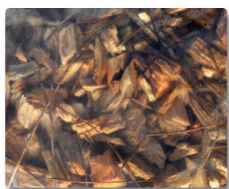
QUITMAN TORREFACTION PLANT QUITMAN, MISSISSIPPI

TOTAL PROJECT: \$50.3 million
FCLF NMTC ALLOCATION: \$3.5 million

Torrefaction plants convert forest, sawmill and urban wood residuals and waste into compacted, torrefied wood pellets to be co-fired with coal in electric power plants. Torrefied wood is recognized internationally as a source of clean, green energy with long-term carbon neutrality. The finished torrefied wood pellet product will be sold to utility companies for co-firing in existing coal power plants to produce electricity from a clean renewable resource both in the U.S. and in Europe.

The Quitman Torrefaction Plant is expected to be operational by mid 2011. It is located in a rural and highly distressed census tract, with a 24% poverty rate and unemployment rate at 1.36x the U.S. average.

Investor: U.S. Bancorp Community Development Corporation
Lender: Mississippi Business Finance Corporation
Additional NMTCs: Hope Enterprise Corporation



1.

Torrefied Wood Product:

1. Wood chips
2. Torrefied wood chip
3. Final product in pelletized form



2.



3.

LAKE POINT RESTORATION MARTIN COUNTY, FLORIDA

TOTAL PROJECT: \$30.2 million
FCLF NMTC ALLOCATION: \$16 million

The Lake Point project is an innovative public-private environmental undertaking on 2,250 acres in South Florida. The South Florida Water Management District has helped design a plan that, when complete, will be a wetland and water storage/treatment area to pump purified water into and out of Lake Okeechobee and the Okeechobee Waterway to provide clean water for various natural, often endangered, habitats, including the Everglades and others. In the short term, the operation will provide a low-cost source of essential limestone raw materials for local infrastructure and conservation projects, such as the Herbert Hoover Dike, a federal top priority project for the U.S. Army Corps of Engineers. Martin County and/or a conservation group will receive 150 acres of upland reserves to create a limited-use recreational park upon closing of the NMTC transaction.



www.lakepointrestoration.com

The project is expected to provide 60 permanent jobs, and over 400 indirect jobs; 60% of which will be held by residents of the low-income communities in four counties around the facility. Lake Point is located in a designated Brownfield site in an area of high unemployment.

Investor: U.S. Bancorp Community Development Corporation
Lender: JPMorgan Chase, The Lindemann Family

NEW MANCHESTER FLATS II RICHMOND, VIRGINIA

TOTAL PROJECT: \$7.5 million
FCLF NMTC ALLOCATION: \$1 million

On a large tract of formerly unused land, this development in Richmond began with two buildings. One 20,000 sf community building is occupied by a Program of All-Inclusive Care for the Elderly (PACE), operated by Riverside hospital. PACE, opened in January 2009, enables frail seniors to maintain as much independence as possible and to stay in their own homes by providing all levels of medical, social, personal care, and respite services for seniors and their caregivers. PACE is funded through Medicaid and Medicare or private pay for individuals. The second 10,000 sf building is mixed-use, including special needs apartments, and opened in Spring 2010. The New Manchester project is in a very low-income, high poverty and high unemployment census tract. This project also used historic tax credits and other public sources of funding.



www.riversideonline.com/pace

Investor, Lender, Additional NMTCs: Wells Fargo Bank

PROJECT METRICS

- ▲ \$6 million minimum project size.
- ▲ Project must be located in a qualified distressed, low-income census tract in Florida.
- ▲ Project must provide clear and substantial benefits to low-income populations.
- ▲ Project should generate notable construction and permanent jobs.
- ▲ Works best for near-bankable projects (e.g. strong borrower and project that can pencil out with the extra support of NMTC).
- ▲ Projects with some financing already lined up stand a greater prospect of NMTC funding. For new or substantial rehabilitation commercial projects, both for-profit and non-profit, including but not limited to office, retail, industrial, and community facility space.
- ▲ Substantial rehabilitation permitted only if equal to or greater than 25% of the "adjusted basis" of the building. Construction take-out financing permitted only if the construction performed in the past 24 months was equal to or greater than 25% of the "adjusted basis."
- ▲ Not for rental housing, but can be used for the commercial portion of a qualified mixed-use project.
- ▲ The ideal NMTC project has strong low-income community impacts, a strong borrower, has at least some financing already lined up, and is "shovel ready."

NMTC CENSUS TRACT CRITERIA

Projects must be located in "targeted distressed census tracts" which either:

Meet one of three criteria:

- ▲ Poverty rates greater than 30%; or
- ▲ Median family income of 60% or less of Area Median Family Income; or
- ▲ Unemployment rates at least 1.5 times the national avg.

Or meet at least two of the following criteria:

- ▲ Poverty rates greater than 25%, median family income of 70% or less of Area Median Family Income or unemployment rates at least 1.25 times the national avg;
- ▲ Federally-designated Empowerment Zones, Enterprise Communities, or Renewal Communities;
- ▲ US SBA designated HUB zone where NMTC loan will support businesses;
- ▲ Brownfield site;
- ▲ Hope VI redevelopment plan area;
- ▲ Federally-designated medically underserved areas where NMTC loan will support health-related services;
- ▲ State or local tax-increment financing districts, including Enterprise Zones;
- ▲ Located in a non-metropolitan census tract (extremely rural);
- ▲ Counties for which FEMA has issued a major disaster declaration since July 15, 2005;
- ▲ Federally designated food deserts: communities, particularly low-income areas, in which residents do not live in close proximity to affordable and healthy food retailers.

LOAN STRUCTURE

- ▲ Most structures feature two loans: The "A" loan at a close to market rate and terms; and the "B" loan at a well below market rate, e.g. 0.5%. The "A" loan represents ~80-85% and the "B" loan ~15-20% of the total loan capital.
- ▲ At loan maturity, the "A" loan is paid in full and the "B" loan can be converted into equity by the borrower for pennies on the dollar.
- ▲ When the two loans are taken together, the effective interest rate is below market.
- ▲ The funding structure always has a term of 7 years. No pre-payments of any kind are allowed.
- ▲ Longer amortizations of 25-30 years on the "A" loan are common. Interest-only payments or no payment requirements on the "B" loan are common. Some loans feature interest-only payments for the entire term on both "A" and "B" loans.

NMTC ADVANTAGES

- ▲ Because of the blended rate of the two loans, the effective rates in the NMTC structure are below market for commercial loans of this type.
- ▲ "B" loan often treated as up-front substitute for a portion of equity required by investors, resulting in higher effective loan-to-value ratios.
- ▲ As a result of the longer amortization, blended rate, and no/low payment requirement of the "B" loan, monthly payments are lower.
- ▲ Equity conversion feature of the "B" loan means that most of up-front equity becomes true equity at end of 7-year term of NMTC structure.
- ▲ Longer amortizations (25-30 years). See Loan Structure, above.

NMTC CHALLENGES

- ▲ Whether longer amortization or interest-only payments, there is a balloon payment requirement at end of 7 years. Project must underwrite for its ability to re-finance at that time.
- ▲ Some inflexibility (e.g. project location restrictions, no prepayments, term is always 7 years, certain purposes not allowed, etc.).
- ▲ Program is very complicated and closings are time consuming; and there is a notable learning curve for first-time capital providers and borrowers.
- ▲ High legal and accounting fees.
- ▲ Project must be ready to go.
- ▲ Generally, a new single purpose borrowing entity is required in order to reduce the significant reporting requirements during loan term.
- ▲ In addition to loan guaranty, a Borrower or guarantor also provides indemnification for tax credit recapture events caused by borrower's actions.

Florida Community Loan Fund will check on an address to verify its eligibility for the NMTC Program. For additional information, please contact a member of our Lending Team.

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