




# Small Loan Funds Panel



# Small Loan Funds Trends from 2003-2017 and the Coalition's Survey of 2018

Paul Anderson  
Rapoza Associates

# Projects Receiving \$2M or Less in NMTC

- 2,028 projects (35% of all projects)
- \$1.5B in allocation (3% of all allocation)
- \$4B in total project costs (4% of all project costs)
- 23% non-metro
- 67.3% operating businesses

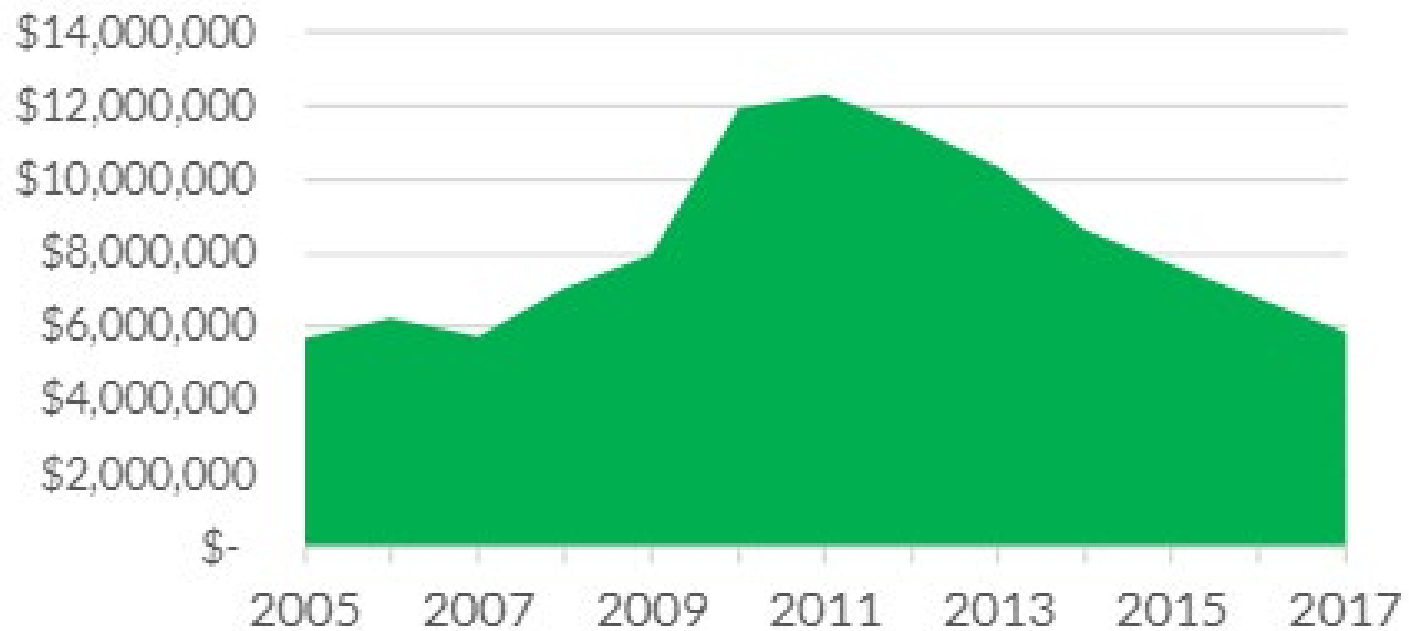
NMTC Amount	Percentage of Projects
\$0-5K	0.5%
\$5k-25k	2.2%
\$25k to \$100k	2.5%
\$100k to \$500k	11.0%
\$500k to \$2M	18.8%
Over \$2M	65.1%

# Top 5 Project Types, 2003-2017

Retail and professional services	22.3%
Manufacturing/Industrial	21.7%
Nonprofits/Community (other than healthcare)	14.5%
Healthcare	9.1%
Housing	5.5%

# Trends: Average allocation per project

## AVERAGE NMTC ALLOCATION PER PROJECT (2003-17)



# Capitalization

- Typically \$8 to 10 million in NMTC allocation but as large as \$40 million
- Foundations, banks, CDFI partners, grants, state or local support
- Other tax credits (HTC, state credits)

# Favorable Financial Products and Services

Mostly below-market interest rate

High LTV ratio

Loan terms ranged from 24 months to 7 years

Lower than standard collateral requirements

# Targeting

- Geographic
- Minority-owned businesses
- Industries (fresh food, manufacturing)
- Environmental remediation
- Recent immigrants/entrepreneurship
- Quality jobs



National Trust Community Investment Corporation  
a subsidiary of the National Trust for Historic Preservation

## Main Street Small Deal Fund

**National Trust Community Investment Corporation (NTCIC)**, a subsidiary of the National Trust for Historic Preservation, offers low-cost tax credit financing to historic properties in Main Street communities. NTCIC's **Main Street Small Deal Fund (MSSDF)** provides up to \$2 million in tax credit financing per project with a combination of federal Historic (HTC) and New Markets Tax Credits (NMTCs).

**To be eligible, projects must possess all of the following six qualifications:**

<p><b>1 Location</b></p> <p><i>Located in a Low-Income Community that has:</i></p> <ul style="list-style-type: none"> <li>• Poverty rates greater than 30%; or</li> <li>• Median incomes less than 60%; or</li> <li>• Unemployment greater than or equal to 12.45%</li> </ul> <p><small>* Poverty rate, median incomes and unemployment rate are based on 2011-2015 ACS data</small></p>	<p><b>2 Size</b></p> <ul style="list-style-type: none"> <li>• Qualified Rehabilitation Expenditures should be between \$4MM - \$8MM</li> <li>• All other sources of financing have been committed</li> </ul>	<p><b>3 Readiness</b></p> <ul style="list-style-type: none"> <li>• National Park Service (NPS) Part I is complete</li> <li>• Part II should already be submitted to NPS, if not already approved</li> <li>• All local approvals have been received and building permits have been issued</li> <li>• Architectural drawings have been prepared and general contractor has been identified</li> </ul>
<p><b>4 Impact</b></p> <p><i>Community impacts must include:</i></p> <ul style="list-style-type: none"> <li>• Housing locally-owned and small community businesses</li> <li>• Creating quality jobs accessible to low-skilled workers</li> <li>• Support from the local community</li> <li>• If there are residential units, at least 20% must be set aside at below market rents and must be leased to households earning 80% of Area Median Income or less</li> </ul>		<p><b>6 Structure</b></p> <p><i>The NTCIC MSSDF will invest in both the NMTCs and HTCs. A project cannot elect to take only HTC or NMTC equity.</i></p> <ul style="list-style-type: none"> <li>• A leverage NMTC structure with an HTC master tenant structure will be utilized</li> <li>• No other NMTCs can be utilized outside NTCIC's investment</li> <li>• A third party will be required to bridge the majority of financing needed during construction</li> </ul>
<p><b>5 Tax Credits</b></p> <ul style="list-style-type: none"> <li>• HTCs are enhanced with NMTCs</li> <li>• Employs a simpler structure to help minimize legal fees and transaction costs</li> </ul>		

**To apply for The NTCIC MSSDF, contact Kandi Jackson at [kjackson@ntcic.com](mailto:kjackson@ntcic.com) with a brief description of your project including proposed rehabilitated uses**

Visit us at [ntcic.com](http://ntcic.com)

 [/ntcic](https://twitter.com/ntcic)

 [/company/NTCIC](https://www.linkedin.com/company/NTCIC)

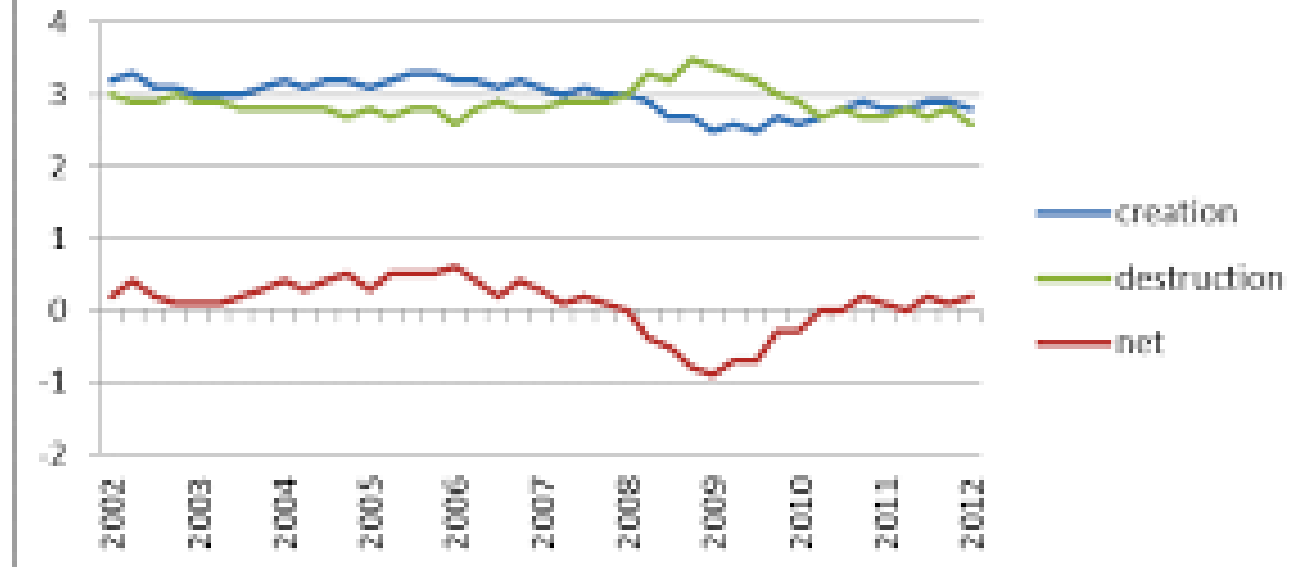
*NTCIC is an equal opportunity provider*



# Challenges

- Heartburn from Great Recession
- Lack of familiarity
- No track record
- Redeployment/substantially all
- Sourcing additional funding

## Rate of Business Creation and Destruction per Quarter



# Successful Loan Funds

- Track record or partner with track record
- Partner with financial institution, intermediary CDE, foundation, or another source of unrestricted capital
- Have a plan for redeployment, if necessary
- Loan loss reserve

## CDEs with the most projects receiving under \$2M of NMTC

CDE	Percent	Count
National New Markets Tax Credit Fund, Inc (CRFUSA)	11%	213
Morgan Stanley New Markets, Inc.	8%	169
WesBanco Bank Community Development Corp.	7%	133
Advantage Capital Community Development Fund, LLC	5%	98
Rockland Trust Community Development Corporation	4%	82
Hope Enterprise Corporation	4%	73
Milwaukee Economic Development Corporation	3%	70
Merrill Lynch Community Development Company	3%	61
Key Community Development New Markets LLC	3%	52
Zions Community Investment Corp.	2%	47