CINCINNATI DEVELOPMENT FUND

"Grants **_+ More_**"

August 2016

CINCINNATI DEVELOPMENT FUND

IFF / CDF Partnership

- In 2014, CDF partnered with IFF, a Chicago-based Community Development Financial Institution, to establish a loan fund to provide low-cost, long-term financing for nonprofit facilities and equipment.

- Financing is available to nonprofits in Greater Cincinnati, Northern Kentucky and Greater Dayton (Ohio).

Why a Nonprofit Loan Fund?

- ***Many nonprofits need a way to meet their facility and equipment needs while maximizing investment in their core missions.***

- **Unique features to meet the needs of nonprofits:**
  - Flexible, affordable financing
  - No long forms, unnecessary fees or complicated approval processes
  - Fund up to 95% of project costs (vs. 75%-85% with banks)
  - No appraisals (required by other lenders)
  - No penalty for early payoff

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When Should I Consider Borrowing?

- **Capital projects**
  - Acquisition, construction, renovation, leasehold improvements, refinancing
- **Maintenance and Improvements**
  - Roof repair, new windows, ADA code repairs, HVAC
- **Capitalized equipment purchases**
  - Computer hardware/software, furnishings, medical equipment, service-oriented vehicles

"I wish we had known about this last year when we needed to buy a box truck and were spending $1700 a month to rent one while waiting for grant funding in order to purchase. We could have almost paid off a truck with the amount we spent on renting for a year!"

$50,000 Equipment Purchase:

Monthly expenses less depreciation	**$307,692**
Unrestricted cash on hand	**$240,000**

WAIT TO PURCHASE UNTIL FUNDS ARE RAISED

+	−
Preserve liquidity and leverage external funds for depreciable asset	Loss of efficiency; potential staff and customer attraction and retention issues

TAP INTO LINE OF CREDIT FOR PURCHASE

+	−
Allows purchase while preserving cash on hand	Ties up LOC which could/should be used for operations

USE UNRESTRICTED CASH TO MAKE PURCHASE

+	−
Purchase depreciable asset outright	Increases liquidity challenges – MOC down to 0.62

TAKE OUT FULLY AMORTIZING LOAN

+	−
Allows purchase and avoids one-time unrestricted cash outlay	Increases leverage

$375,000 Renovation Project:

Monthly expenses less depreciation **$417,000**
Unrestricted cash on hand **$771,450**

WAIT TO RENOVATE UNTIL FUNDS ARE RAISED

+	−
Preserve liquidity and leverage external funds for depreciable asset	Loss of efficiency; potential staff and customer attraction and retention issues

PHASE IMPROVEMENTS OVER TIME

+	−
Breaks project into manageable phases; campaign momentum	Increased general conditions; program disruption

USE UNRESTRICTED CASH TO RENOVATE

+	−
Project complete and paid for	Greatly decreases liquidity – MOC down to 0.95

TAKE OUT FULLY AMORTIZING LOAN

+	−
Allows project to be completed and avoids one time cash outlay	Increases leverage

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Historic Tax Credits (HTCs)

Value	20% (Federal) one-time credit on qualified rehab expenditures (noncompetitive) 25% (State) one-time credit on qualified rehab expenditures (competitive)
Criteria	• Certified historic structure or contributing building in National Register historic district • Commercial, industrial or rental housing • Substantial rehabilitation • Credits issued for rehab done within 24 mo. prior to certificate of occupancy • Follow Secretary of Interior Standard – National Park Service (NPS)
Process	**Part 1:** If building is not on National Register, owner submits Part 1 application to State Historic Preservation Office (SHPO); SHPO makes recommendation to NPS, who would certify building as historic **Part 2:** SHPO reviews plans and specs, forwards to NPS for approval **Part 3:** NPS approves completed work
Monetization	Credits are typically purchased by investor upon issuance of Part 3 at a pre-negotiated price per credit. There is a need for a construction bridge loan to finance the rehab prior to equity pay-in.
Compliance Period	Building must be held for 5 years after Part 3 issuance to avoid recapture

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New Markets Tax Credits (NMTCs)

Value	• 39% tax credit realized over a 7-year period • Credit calculated on NMTC allocation utilized, which is limited to total development costs
Criteria	• Designed to generate new, private-sector investment in targeted distressed areas • Census tract must qualify for one of these indicators: (1) % area median income, (2) % people in poverty, (3) level of unemployment • Eligible real estate projects: (1) commercial, (2) mixed-use with commercial and housing rental uses, (3) at least 20% of income from commercial use
Process	• Administered by Community Development Financial Institutions Fund, division of the Treasury • Community Development Entities can apply for NMTCs; must have primary mission of servicing or providing investment capital to low-income communities • Federal income tax credits passed through to investors
Monetization	Investor contributes equity at closing based on negotiated price per credit. No need for an equity bridge loan.
Compliance Period	7 years

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Low-Income Tax Credits (LIHTC)

Value	9% credits (competitive process) and 4% credits (noncompetitive) annually for 10 yrs
Criteria	Project must qualify on 3 criteria: 1. Income/occupancy: 20% of units must be occupied by tenants with incomes below 50% of the median - OR - 40% of units must be occupied by tenants with incomes below 60% of the median 2. Rent restrictions: All units receiving LIHTCs have rent restrictions based on number of bedrooms and imputed household size; rent cannot exceed 30% of income qualifier (above), including all utilities 3. State approval
Process	State awards allocation to the project
Monetization	Credits are purchased by investor (or syndicator), factoring in the time value of money at a pre-negotiated price per credit. Equity installment schedule may require a bridge loan.
Compliance Period	15 years plus additional 15 years (extended use)

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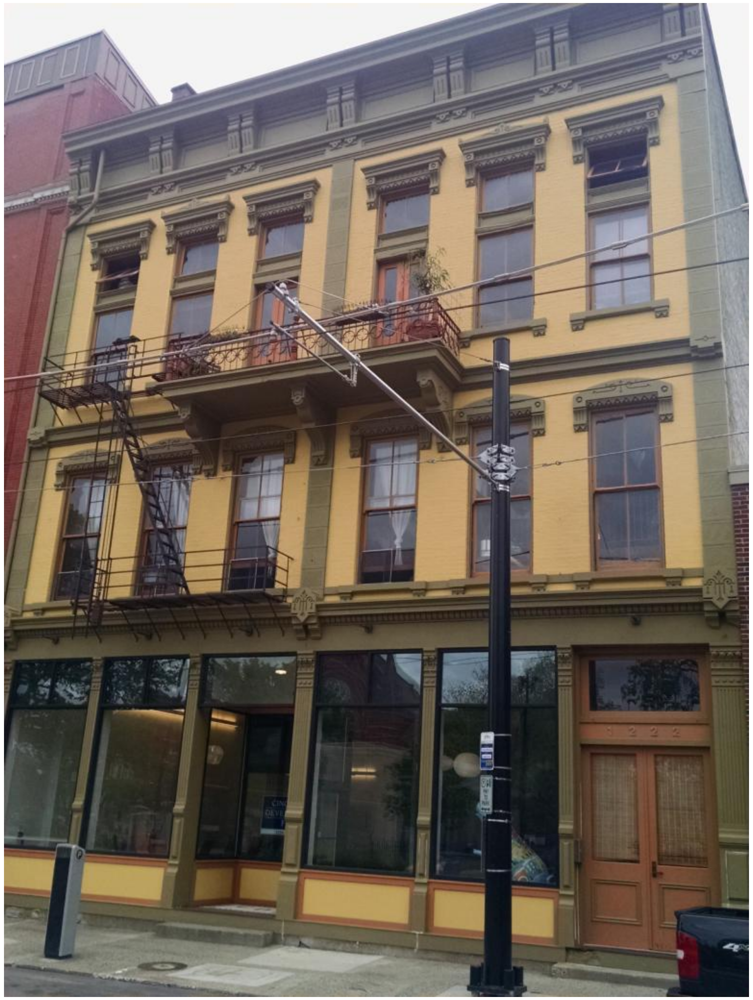
Thank you!



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