

CDFA Financing Roundtable Webcast: Unlocking the Development Finance Toolbox in California

The Broadcast will begin at 1:00pm (PDT).

While you're waiting, check out some upcoming CDFA events...

**Intro Public-Private
Partnership (P3)
Finance Course**



August 6-7, 2013
Washington, DC

CDFA National
Development Finance Summit



August 6-9, 2013 Washington, DC

in partnership with  ASSOCIATION
TO INVEST IN USA

**Intro EB-5
Finance WebCourse**



September 18-19, 2013
Daily: 12-5pm (EDT)



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A specialized state initiative of the Council of Development Finance Agencies

CDFA: Advancing Development Finance Knowledge, Networks & Innovation

Unlocking the Development Finance Toolbox

Toby Rittner

President & CEO

Council of Development Finance Agencies

Columbus, OH



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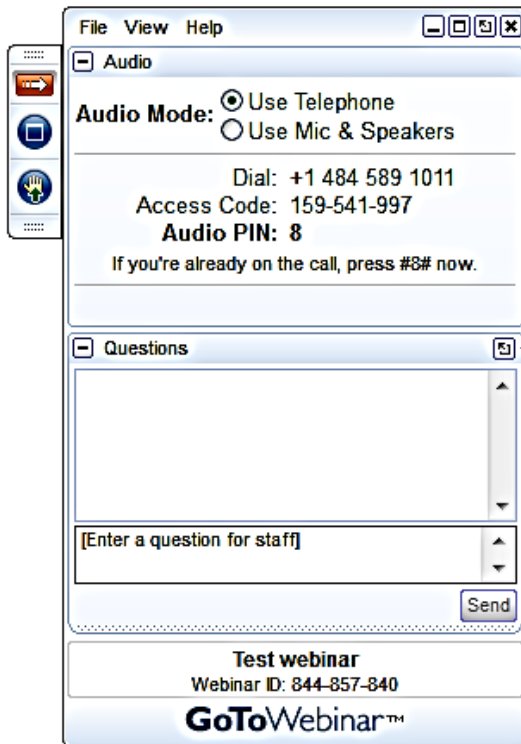
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Unlocking the Development Finance Toolbox



The screenshot shows a GoToWebinar window with a menu bar (File, View, Help) and window controls. The main content is divided into sections: 'Audio' with radio buttons for 'Use Telephone' (selected) and 'Use Mic & Speakers'; dialing information including 'Dial: +1 484 589 1011', 'Access Code: 159-541-997', and 'Audio PIN: 8'; a 'Questions' section with a text input field containing '[Enter a question for staff]' and a 'Send' button; and a footer with 'Test webinar', 'Webinar ID: 844-857-840', and the 'GoToWebinar' logo.

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Submit your questions to the panelists here.

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Unlocking the Development Finance Toolbox

Speakers

Gurbax Sahota
CALED

Dr. Glenda Humiston
USDA Rural Development

Sam S. Balisy
Kutak Rock LLP

Deborah La Franchi
Strategic Development Solutions

Deana Carrillo
CAEATFA

Dan Massiello
Kosmont Companies



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CDFA: Advancing Development Finance Knowledge, Networks & Innovation

Unlocking the Development Finance Toolbox

May 23, 2013

Toby Rittner, DFCP, EDFP
President & CEO
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About CDFA

- National non-profit association representing the development finance industry.
- Provide education, advocacy, research, resources, networking and leadership.
- Education – Bond Finance (2), Tax Increment Finance (2), Tax Credit, Revolving Loan Fund, Innovation Finance, Energy Finance, P3 Finance and Fundamentals of ED Finance Course.
- Advocacy – Active partner with Congress and Administration advocating for development finance concerns.
- Research – Produce annual State-By-State studies for Bond Volume Cap and Tax Increment Finance Statute changes, bond finance resource center, TIF resource center, RLF resource center, Federal Financing Clearinghouse, etc.
- Resources – Nearly 4,000 online resources through our various libraries and database.
- Networking – 320 member organizations throughout the country, 21,000 person network,- join today!



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Understanding Development Finance



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What is Development Finance?

- 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.
- Development finance requires programs and solutions to challenges that the local environment creates.



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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.



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What DF *Does Not* Include

- Free handouts and unabashed subsidies
- Duplicative assistance
- Poor due diligence and transparency
- Poor oversight and performance measures
- Irrational responses to immediate challenges



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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



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Trends in DF Tool Use

- 50% of finance agencies issue bonds
- 41% act as conduit bond issuers
- 50% provide direct loans
- 27% provide loan guarantees (collateral support)
- 39% provide grants
- 62% provide technical assistance

Despite these trends:

50% of all finance agencies allocate less than 20% of their actual budget to directly financing development?



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Tool Use Trends

- Nearly 40% of finance agencies do not use TIF (49 states have TIF capabilities)
- 65% of agencies do not use SIDs & BIDs (special districts)
- Less than 5% of finance agencies frequently employ the use of state & federal tax credit programs
- Only 9% of agencies are active in the venture capital finance industry (5% of agencies use alternative equity)
- Over 43% of agencies use RLFs frequently (federalized)



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Tool Use Trends – Federal

- CDBG – 40% frequently use
- EDA – 18% frequently use
- Reliance on federal funding remains strong yet this source is the most volatile and less reliable from year to year
- A note on grants – over 25% of agencies are actively providing grants to finance development



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So What is Happening Here?

- Why are agencies ignoring tried and true tax-exempt bond financing tools for addressing manufacturing & non-profit development?
- Why are economic developers ignoring targeting financing tools such as TIF for addressing redevelopment, business district and revitalization?
- Why are tax credits programs underutilized? Tax credits abound – NMTC, brownfields, historic, LIHTC, hundreds of replicable state program.
- Nearly 30 states have state sponsored venture funds?
- Why the reliance on federal funding?



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A Few Answers

- Complexity of financing programs
- Nature of locally controlled, political economic development efforts
- Lack of focus on financing strengths within community
- Little dedication to education and capacity building



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Building the Development Finance Toolbox



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Introducing the Toolbox Approach

- The Toolbox Approach is a full scale effort to building local and regional financing capacity to serve and impact a variety of business and industry needs.
- This is an investment in programs and resources that harness the full spectrum of a community's financial resources and is a dedication to public/private partnerships.



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Why the Toolbox Approach?

- Wide variety of programs already exist to help with both general and targeted financing needs (yet we continue to seek new programs and struggle to gain access to scarce sources of funding)
- One size does not fit all and there are different instruments for different users



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Why the Toolbox Approach?

- More parties can be involved with a comprehensive approach – banks, thrifts, educational providers, investors, angels, developers, planning authorities, etc.
- Diversity is very important in development finance efforts.



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The Toolbox and 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 and Project Specific District Financing



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The Toolbox and Financing Spectrum

Practice Area 3: Investment Tools

- Tax Credits, Seed & Venture Capital and Angel Funds

Practice Area 4: Access to Capital Lending Tools

- Revolving Loan Funds, Mezzanine Funds, Loan Guarantees and Microenterprise Finance

Practice Area 5: Support Tools

- Federal Funding and Abatements



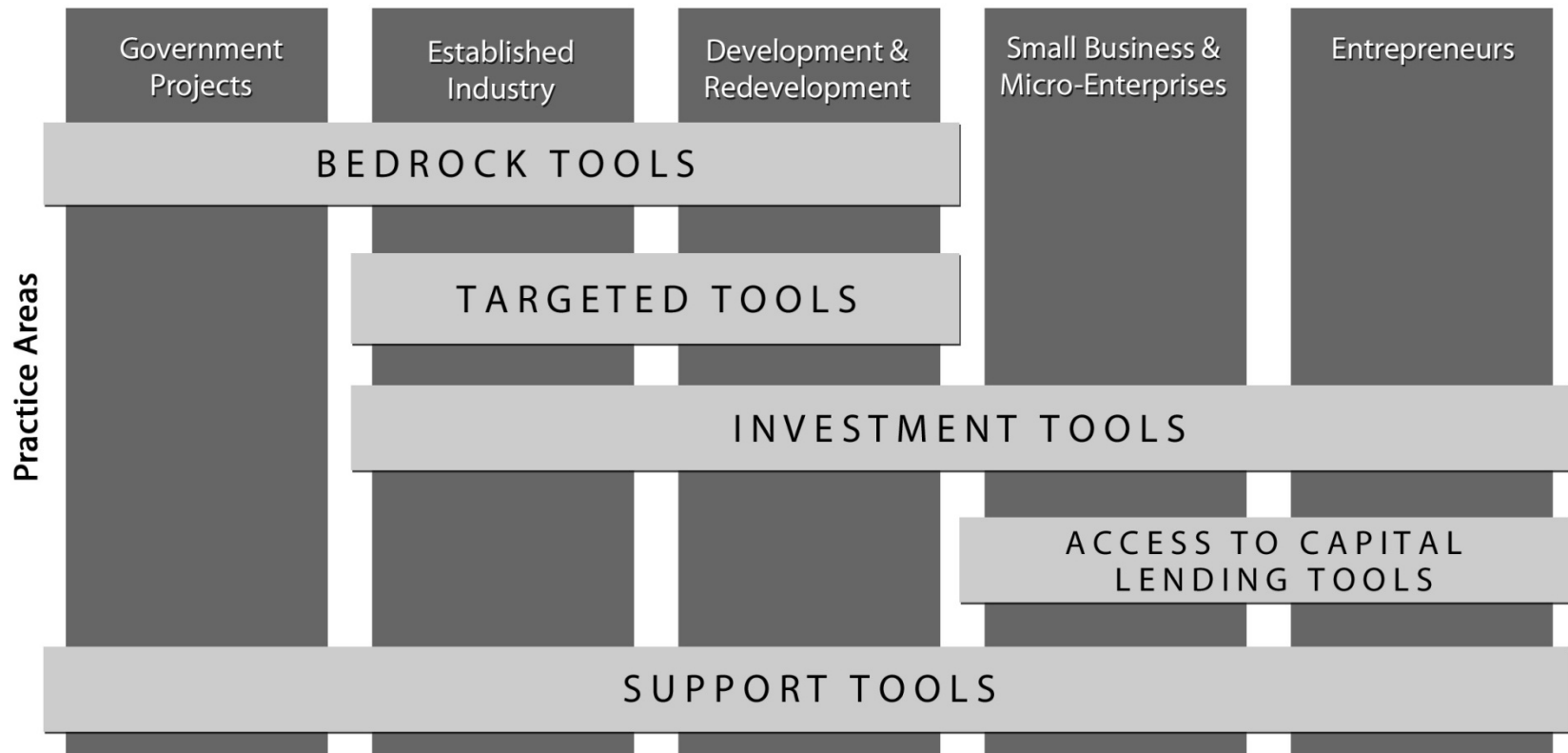
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Development Finance Spectrum



Development Finance SPECTRUM

Types of Financings



From the *Practitioner's Guide to Economic Development Finance*

In the End...

- All economic development comes down to the access to financial resources for completing a given project or deal.
- Nearly all projects/deals hinge on the ability to leverage inexpensive sources of financing.
- As they say, cash is king, money makes the world go around and show me the money!



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Post-Recession Economic Development Finance



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Recession's Impact

- Reduction in state and local government tax revenues has severely hindered ability to spur economic development
- Constraints of federal government have reduced resources for economic development (fiscal cliff approaching)
- Inactivity of Congress has slowed economic recovery and created mixed message of policy vs. politics
- States have acted irrationally to reduce strains on government to detriment of econ development efforts



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Recession's Impact

- Private sector has retracted and contracted
- Access to capital has “dried-up”
- Commercial real estate development has slowed significantly
- Bond markets have slowed to snail's pace
- Government expansion only now starting to pick-up
- Focus of economic development has shifted



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Recession's Impact

- Threats to common economic development tools are rampant and real
- Tax Exempt Bonds
- New Markets Tax Credits
- Historic Rehab Tax Credits
- CDBG, EDA, USDA
- SBA 504 and 7a



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2013 Trends in Development Finance

- Project focus has shifted
- Energy efficiency, sustainable development
- Urban infill, land reuse and revitalization
- Transit oriented development, intermodal opportunities
- Innovation finance, entrepreneurship
- Small business development
- Low spec development



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End on a High Note

- Opportunities are emerging
- P3 deals are gaining significant traction
- Bond markets are up 68% over last year
- EB-5 reauthorized for three years
- Investment in sustainable infrastructure is now preferred by investment community
- Reshored manufacturing is happening



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Resources

- Over 3,800 online resources with dozens of categories and subcategories
- Designated resource centers to help break down some of the complexity

- About CDFA
- Membership
- Training Institute
- Legislative Affairs
- National Summit
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CDFA-Stern Brothers Renewable Energy Finance
Webcast Series: Digging Into the Ugly Side of Renewable Energy Finance
Free Webcast
November 15, 2012

CDFA-Stifel Nicolaus Webcast Series: What Makes a Good Feasibility Study?
Free Webcast
December 6, 2012



CDFA Online Resource Database

The CDFA Online Resource Database (ORD) is the nation's only electronic resource collection dedicated exclusively to development finance.

To conduct a Search of the ORD, use the search features below. Users can conduct a basic keyword search or select various categories to narrow the search results. To search deeper within a given category, click the [+] symbol to show a list of subcategories. Many resources are available to all users while others are restricted to CDFA members only. CDFA members must login with their unique CDFA username and password to access restricted items. Non-members can join CDFA today to gain access to the entire database.

Keywords & Phrases

State:

Sort Results By:

Categories & Subcategories

- Access to Capital [+] (select all)
- Bond Finance [+] (select all)
- Brownfield Financing [+] (select all)
- Community Development [+] (select all)
- EB-5 Visa [+] (select all)
- Economic Development [+] (select all)
- Energy Finance [+] (select all)
- Export Import Bank of the United States (Ex-Im Bank) [+] (select all)
- Foundations
- Green Finance [+] (select all)
- Infrastructure Finance [+] (select all)
- Innovation Finance [+] (select all)
- Internal Revenue Service (IRS) [+] (select all)
- International
- National Science Foundation (NSF) [+] (select all)
- NIST Manufacturing Extension Partnership (MEP) [+] (select all)
- Revolving Loan Funds (RLFs) [+] (select all)
- Rural Development [+] (select all)
- Tax Credits [+] (select all)
- Tax Increment Finance (TIF) [+] (select all)
- Urban Development [+] (select all)
- U.S. Dept. of Agriculture (USDA) [+] (select all)
- U.S. Dept. of Energy (DOE) [+] (select all)
- U.S. Dept. of Housing & Urban Affairs (HUD) [+] (select all)
- U.S. Dept. of Interior - National Park Services (NPS) [+] (select all)
- U.S. Dept. of Justice (DOJ) [+] (select all)
- U.S. Dept. of Treasury [+] (select all)
- U.S. Dept. of Treasury CDFI Fund [+] (select all)
- U.S. Economic Development Administration (EDA) [+] (select all)
- U.S. Environmental Protection Agency (EPA) [+] (select all)
- U.S. Small Business Administration (SBA) [+] (select all)
- Webcasts

After selecting your criteria, click the Search button. Search results will populate below.



Resource Centers

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Advancing Development Finance Knowledge, Networks & Innovation

Revolving Loan Fund Resource Center

RLF Resources

- >>> Understanding Revolving Loan Funds
- >>> RLF Lending Policies, Criteria & Conditions
- >>> RLF Marketing Examples
- >>> RLF Sample Applications
- >>> RLF Case Studies

>>> ADVANCED SEARCH

CDFA Original Research

How the Tool Works: Revolving Loan Funds
This CDFA "How the Tool Works" profile addresses revolving loan funds (RLFs), which use interest and...

DF Perspectives 3: Tips for Managing Your RLF Program
This article providing fund capitalization, RLF committee, program marketing, and loan servicing tips for...

>>> MORE CDFA RESEARCH

Federal RLF Resources

- >>> EDA RLF Grant Program
- >>> EPA RLF Grants
- >>> CDFA Federal Financing Clearinghouse

>>> ADVANCED SEARCH

RLF Program Profiles

Featured Program

Facade Improvement Program

Managing Organization
Downtown Tuscon Partnership

Capitalization Source(s)
Private, Local

Loan Terms
15 years

Loan Rates
0%

Compare All States

RLF Applications

CDFA Revolving Loan Fund Resource Center
The CDFA Revolving Loan Fund Resource Center is a one-stop hub for all of the resources, reports, headlines,...

Salt Lake City Business Revolving Loan Fund Application Login
This is the complete application form for the Salt Lake City Business Revolving Loan Fund. Elements include...

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Bond Finance Resource Center

Bond Finance Resources

- >>> Understanding Bonds
- >>> Bond Volume Cap
- >>> Bond Deal Structuring
- >>> Bond Credit Enhancement
- >>> Investing Bond Proceeds
- >>> Bond Rating Agencies
- >>> Bond Swaps & Derivatives
- >>> Advance Refundings
- >>> Auction Rate Securities
- >>> Bond Arbitrage & Rebate
- >>> Bond Insurance
- >>> Bond Program Marketing Examples
- >>> Bond Banks
- >>> Federal Home Loan Bank Letter of Credit (LOC)
- >>> MSRB's EMMA Muni Disclosures & Market Data

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Types of Bonds

- >>> Industrial Development Bonds (IDBs)
- >>> 501(c)(3) Bonds
- >>> Exempt Facility Bonds
- >>> TIF Bonds
- >>> Aggie Bonds
- >>> Green Bonds
- >>> New Clean Renewable Energy Bonds (New CREBS)
- >>> Property Assessed Clean Energy Bonds (PACE)
- >>> Qualified Energy Conservation Bonds (QECBs)
- >>> Qualified School Construction Bonds (QSCBs)
- >>> Qualified Zone Academy Bonds (QZABs)
- >>> Enterprise Zone Bonds

>>> ADVANCED SEARCH

Want more bond finance?

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The Bond Market

Interest Rate Risk Management
Key Bank | Oct. 23

Interest Rate Market Insight
Cardea Partners | Oct. 22

Municipal Bond Market Note
Janney Capital Markets | Oct. 19

Capital Markets Weekly Update
Wye River Group | Oct. 19

>>> MORE MARKET REPORTS

IRS Guidance & Resources

IRS Guidance: Qualified Energy Conservation Bonds Login
This guidance from the Internal Revenue Service provides detailed information on the use of Qualified Energy...

IRS: Your Responsibilities As A Conduit Issuer of Tax-Exempt Bonds Login
Internal Revenue Service Publication 5005 provides an overview for state and local governments of the...

>>> MORE IRS Guidance & Resources

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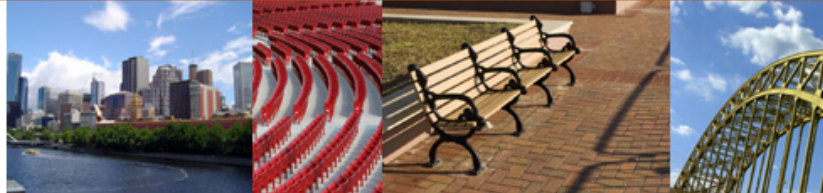
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CDFA SSRCI Webinar Series



CDFA Federal Financing Clearinghouse

An online searchable clearinghouse of federal economic development finance programs.

CDFA's **Federal Financing Clearinghouse** is the only online resource cataloging the development finance programs offered by the federal government. The Clearinghouse includes program overviews of over 100 federal financing programs available to both public and private sector users.

This is an exclusive CDFA member benefit. Users must log-in with their unique CDFA username and password to search the Clearinghouse.

Enter your username and password to login.

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Energy Finance



504 Loan Program

Program Agency	U.S. Small Business Administration (SBA)
Financing Category	Access to Capital Community Development Urban Development
Financing Type	Direct Loan
Program Overview	<p>The Certified Development Company (CDC)/504 loan program is a long-term financing tool, designed to encourage economic development within a community. The 504 Program accomplishes this by providing small businesses with long-term, fixed-rate financing to acquire major fixed assets for expansion or modernization.</p> <p>A CDC is a private, nonprofit corporation which is set up to contribute to economic development within its community. CDCs work with SBA and private sector lenders to provide financing to small businesses, which accomplishes the goal of community economic development. Typically, a CDC/504 project includes:</p> <ul style="list-style-type: none"> • A loan secured from a private sector lender with a senior lien covering up to 50 percent of the project cost; • A loan secured from a CDC (backed by a 100 percent SBA-guaranteed debenture) with a junior lien covering up to 40 percent of the project cost; and • A contribution from the borrower of at least 10 percent of the project cost (equity). <p>This type of setup means that 100 percent of the project cost is covered either by contribution of equity by the borrower, or the senior or junior lien.</p>
Eligible Users	To be eligible for a CDC/504 loan, businesses must be operated for profit and fall within the size standards set by the SBA. Under the 504 Program, a business qualifies as small if it does not have a tangible net worth in excess of \$7.5 million and does not have an average net income in excess of \$2.5 million after taxes for the preceding two years. Loans cannot be made to businesses engaged in speculation or investment in rental real estate.

Eligible Project Types	<p>504 loans must be used for fixed asset projects such as:</p> <ul style="list-style-type: none"> • The purchase of land, including existing buildings; • The purchase of improvements, including grading, street improvements, utilities, parking lots and landscaping; • The construction of new facilities or modernizing, renovating or converting existing facilities; or • The purchase of long-term machinery and equipment. <p>The 504 Program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing.</p>
Special Notes	
How to Apply	There are about 270 CDCs nationwide, each covering a specific geographic area. If you are interested in applying for a 504 loan, contact your local CDC. A list of SBA CDCs is available online.
Website & Contact Information	http://www.sba.gov/content/cdc504-loan-program

[New Search](#)

Additional Resources from CDFA's Online Resource Database:

Combining and Leveraging TIF with Other Tools
[Access to Capital](#) | [Bond Case Studies](#) | [Bond Finance](#) | [Case Studies](#) | [Energy Finance](#) | [Federal](#) | [Green Bonds](#) | [Green Finance](#) | [Qualified Energy Conservation Bonds \(QECBs\)](#) | [Qualified Energy Conservation Bonds \(QECBs\)](#) | [SBA CDC 504 Loan Program](#) | [SBA CDC 504 Loan Program](#) | [State Resource](#) | [Tax Increment Finance \(TIF\)](#) | [TIF Case Studies](#) | [Understanding TIF](#) | [U.S. Small Business Administration \(SBA\)](#)
 Jim Snyder of Ice Miller LLP discusses layering TIF with other sources of financing and presents the Kone Center case study.

Chester County Economic Development Council
[Access to Capital](#) | [Community Development](#) | [Community Development Corporation \(CDC\)](#) | [Federal](#) | [Innovation Finance](#) | [Local Finance Program](#) | [Local Green Finance Programs](#) | [Revolving Loan Funds \(RLFs\)](#) | [Rural Development](#) | [SBA CDC 504 Loan Program](#) | [SBA CDC 504 Loan Program](#) | [State Finance Program](#) | [State Tax Credit Programs](#) | [Tax Credits](#) | [Technology Financing](#) | [U.S. Small Business Administration \(SBA\)](#)
 Gary Smith of Chester County Economic Development Council reviews the organization's programs to support economic development and capital access in the region.

SBA Office of Capital Access Performance Highlights



CDFA State Financing Roundtable

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- Newsletters
- Webcasts
- State Conference
- Resource/Research Center
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The CDFA Ohio Financing Roundtable is dedicated to developing a sustainable economic development finance industry for the state of Ohio. A collection of CDFA members and finance leaders from across the state, the Roundtable brings together the Ohio development finance industry through education, news and research.

Upcoming Events

A CDFA Ohio Financing Roundtable Webcast is being developed for later in 2012 and will be announced soon. Check back later for more information.

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Ohio Resources

Detroit/Wayne County Port Authority: PA 639 of 1978 Enhancements
Local Finance Program | Bond Finance | State Finance Program
John Kerr of the Detroit/Wayne County Port Authority compares the economic development finance abilities of Ohio's and Michigan's ports, and discusses legislative changes to bring the two in line.
Columbus-Franklin County Finance Authority

Ohio News

Travel Plaza Planned to Catalyze Redevelopment Area
Dayton Daily News | Oct. 19

City Approves Loan for Downtown Rehab Project
Sidney Daily News | Oct. 18

Unlikely Marriage of a Developer and...

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Contact CDFA

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Gurbax Sahota
President & CEO
CALED
Sacramento, CA



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Dr. Glenda Humiston
California State Director
USDA Rural Development
Davis, CA



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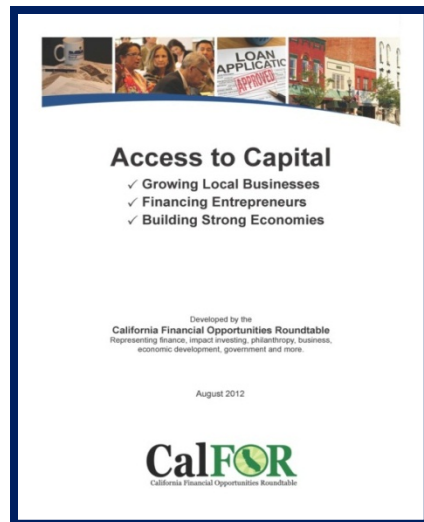
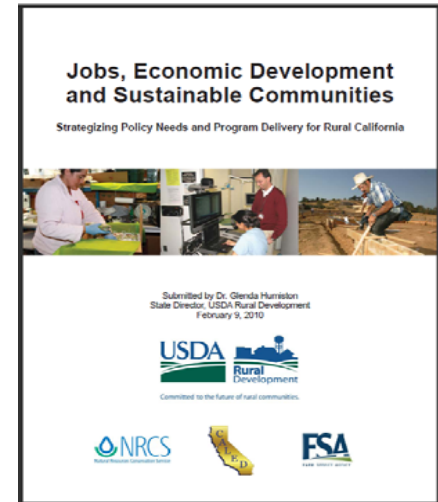
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Committed to the future of rural communities



California's Working Landscapes



Leveraging Regional Industry Clusters and Value Chains for Growth & Jobs

Dr. Glenda Humiston, State Director



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- **Funding and Technical Assistance for:**
 - **Business & Cooperatives Development**
 - **Community Facilities & Rural Utilities**
 - **Water, Sewer & Solid Waste Systems**
 - **Single, Multi-Family & Farmworker Housing**

FY 2012: \$1.3 Billion

CA Portfolio: >\$8 Billion

Business & Cooperative Programs

- Business & Industry Loans & Loan Guarantees
- Intermediary Relending
- Rural Microentrepreneur Assistance Program
- Rural Energy Assistance Program
- Rural Business Enterprise Grants
- Value Added Producer Grants
- Rural Business Opportunity Grants
- Cooperatives



Working Landscapes

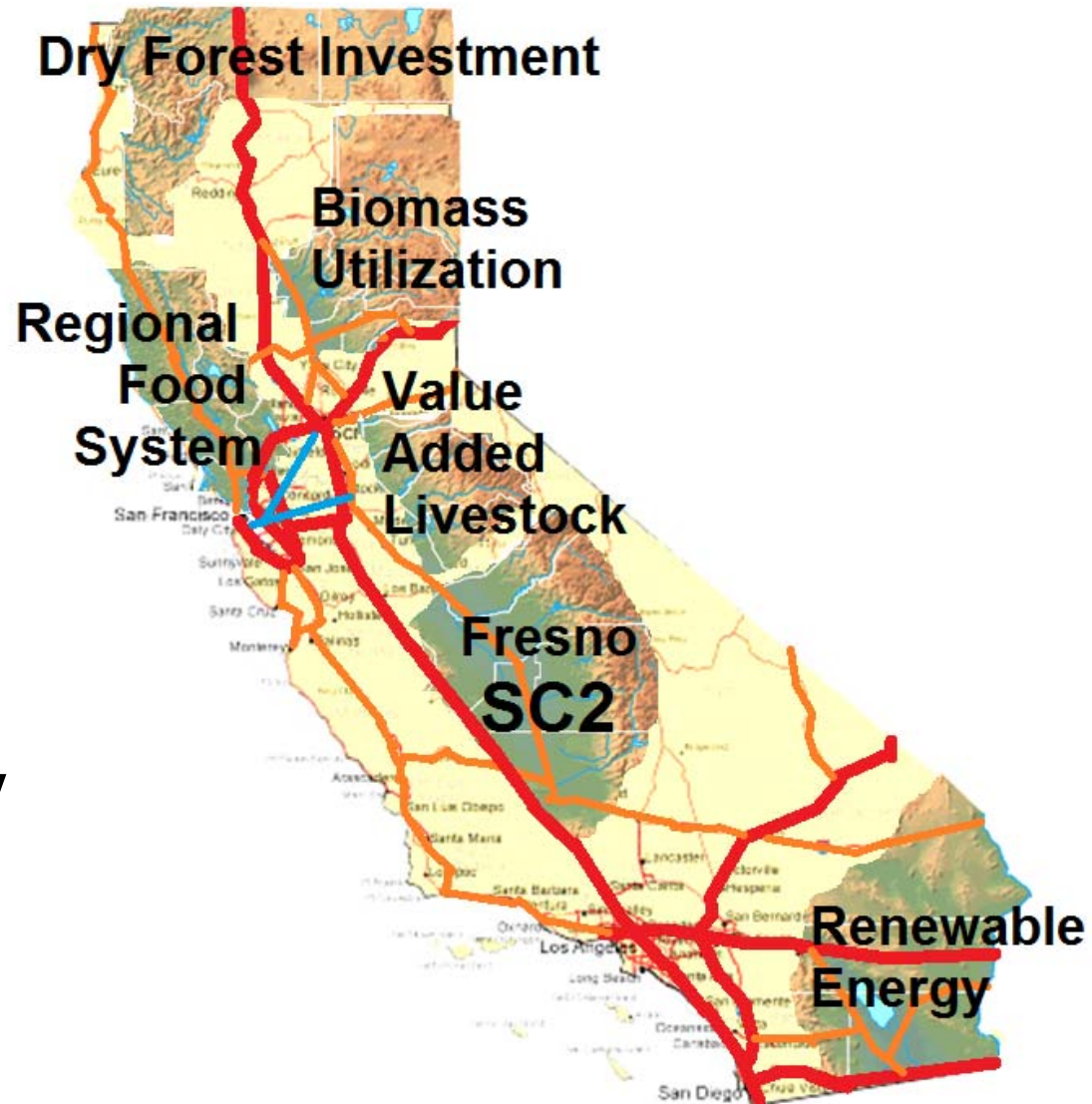
- Agriculture: food, fiber, open space, biofuels...
- Forests: wood, habitat, water, carbon sinks...
- Rivers/Coastal: fishing, food, tourism, energy...
- Parks/Public Land: tourism, recreation, habitat...
- Mining & Energy: solar, wind, geothermal, ore...

~ \$2 Trillion of California Economy



Regional Industry Cluster Projects

- Create Jobs!
- Improve Distribution
- Expand Access to New Markets
- Enhance Goods Movement Strategy
- Reduce Carbon Footprints





Many California Firms Already Producing Bio-Based Products



Microbes That Make Our Planet Clean And Green

Click any image on the left for more details

Bio-Green Planet

ecospan

Injection molding
Calendaring
Thermofarming
Blown film

Bringing Bioplastics to the World

Bio-based products for your foodservice operation

We're your #1 source for products made from the earth that can be returned to the earth — like sturdy, compostable Bridge-Gate products made from wheatstraw.

[LEARN MORE](#)

Fuel Your Imagination

GREEN HEAT Chafing Fuel is a biodegradable, sustainable, and money saving alternative to traditional chafing fuels.



Access to Capital

- ✓ Growing Local Businesses
- ✓ Financing Entrepreneurs
- ✓ Building Strong Economies

Developed by the
California Financial Opportunities Roundtable
Representing finance, impact investing, philanthropy, business,
economic development, government and more.

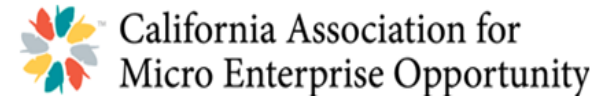
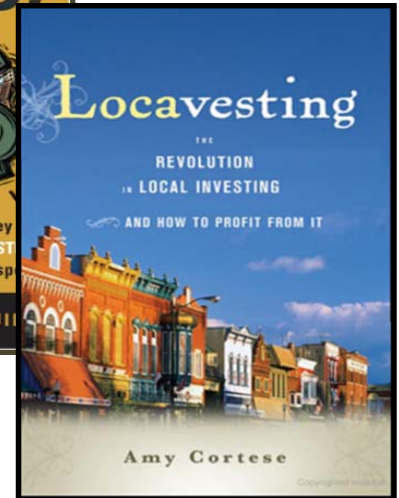
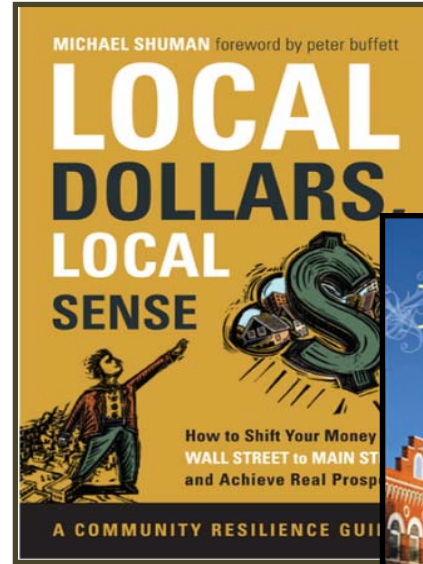
August 2012



- **34 Ways to Access Capital**
- **Recommendations on Policy and Resources**
- **Over 130 top experts and activists representing financial institutions, private businesses, economic development organizations and government agencies pledged to implement!**

www.rurdev.usda.gov/Reports/CA-CalFOR.pdf

Resources and Information



Committed to the future of rural communities

CalFOR

California Financial Opportunities Roundtable

- **California Organized Investment Network**
- **State Assistance Fund for Enterprise – Business and Industrial Development Corporation (SAFE-BIDCO)**
- **Tax-Exempt Industrial Development Revenue Bonds**
- **Revolving Loan Funds**
- **Lending Circles**

...and much more!



Cooperatives

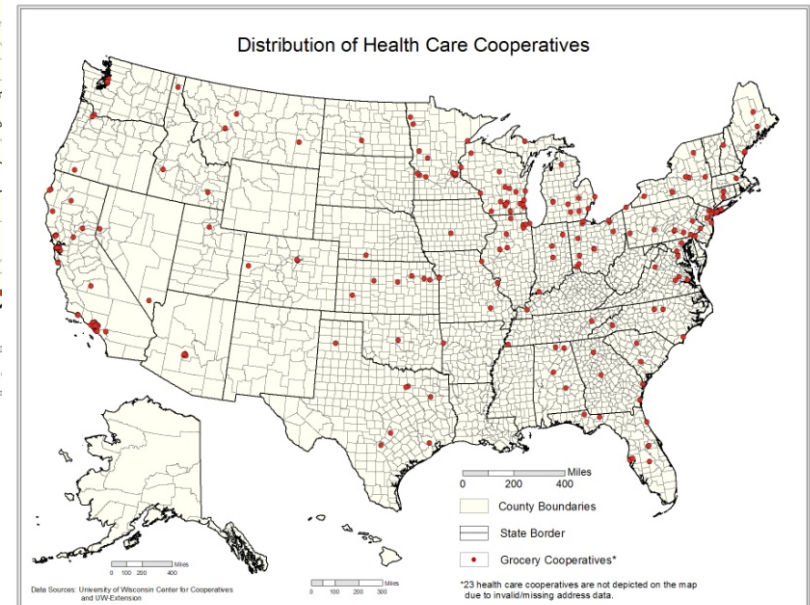
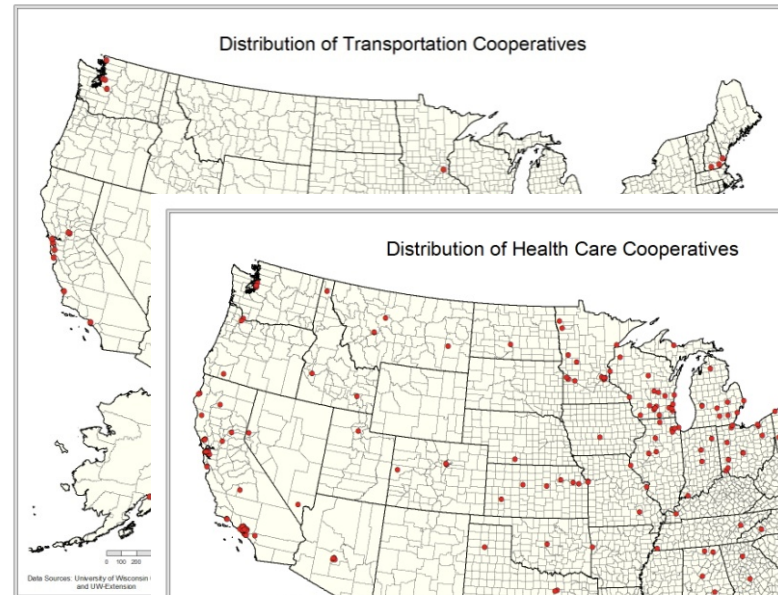
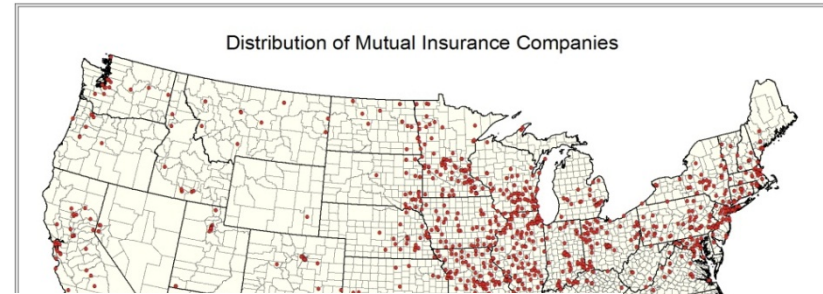
Purchasing cooperatives include:

- Ace Hardware,
- The Bike Cooperative,
- Unified Grocers
- and many more.



Worker cooperatives include:

- small bicycle & book stores,
- a fair-trade coffee roaster,
- a taxi company,
- an engineering firm...and more



Direct Public Offerings



Mendocino Brewing Company

\$3.6 million in six months for new brewery by word-of-mouth, cards placed in six-packs of ale.

Real Goods

Catalog of alternative energy products raised \$4.6 million from customers. Several hundred thousand dollars returned when target reached.



Zap Power Systems

A manufacturer of electric bikes and scooters, raised \$2.5 million from customers.

Employee Stock Ownership Plans



The U.S. has about 11,000 ESOP companies and about 11 million employee participants.

ESOP companies, as a whole and by industry, tend to outperform their non-ESOP counterparts.

Difference in Post-ESOP to Pre-ESOP Performance	
Annual sales growth	+2.4%
Annual employment growth	+2.3%
Annual growth in sales per employee	+2.3%

SOURCE: Pugh, W., Oswald, S. & Jahera, J., "The effect of ESOP adoptions on corporate performance: Are there really performance changes?" *Managerial and Decision Economics*, 21(5): 167, 2000

Corporate Investment in Shared Value



Alcoa spends \$3.5 million to support community recycling – adding 300,000 tons of material to the supply chain and reducing greenhouse gas emissions by 3.4 million tons annually (= 600,000 less cars).



Cisco invested \$350 million in 10,000 academies in 165 countries – half of U.S. community colleges host an academy. This helps communities AND creates customers Cisco needs to grow.

New Model for Financing Regions and/or Sectors



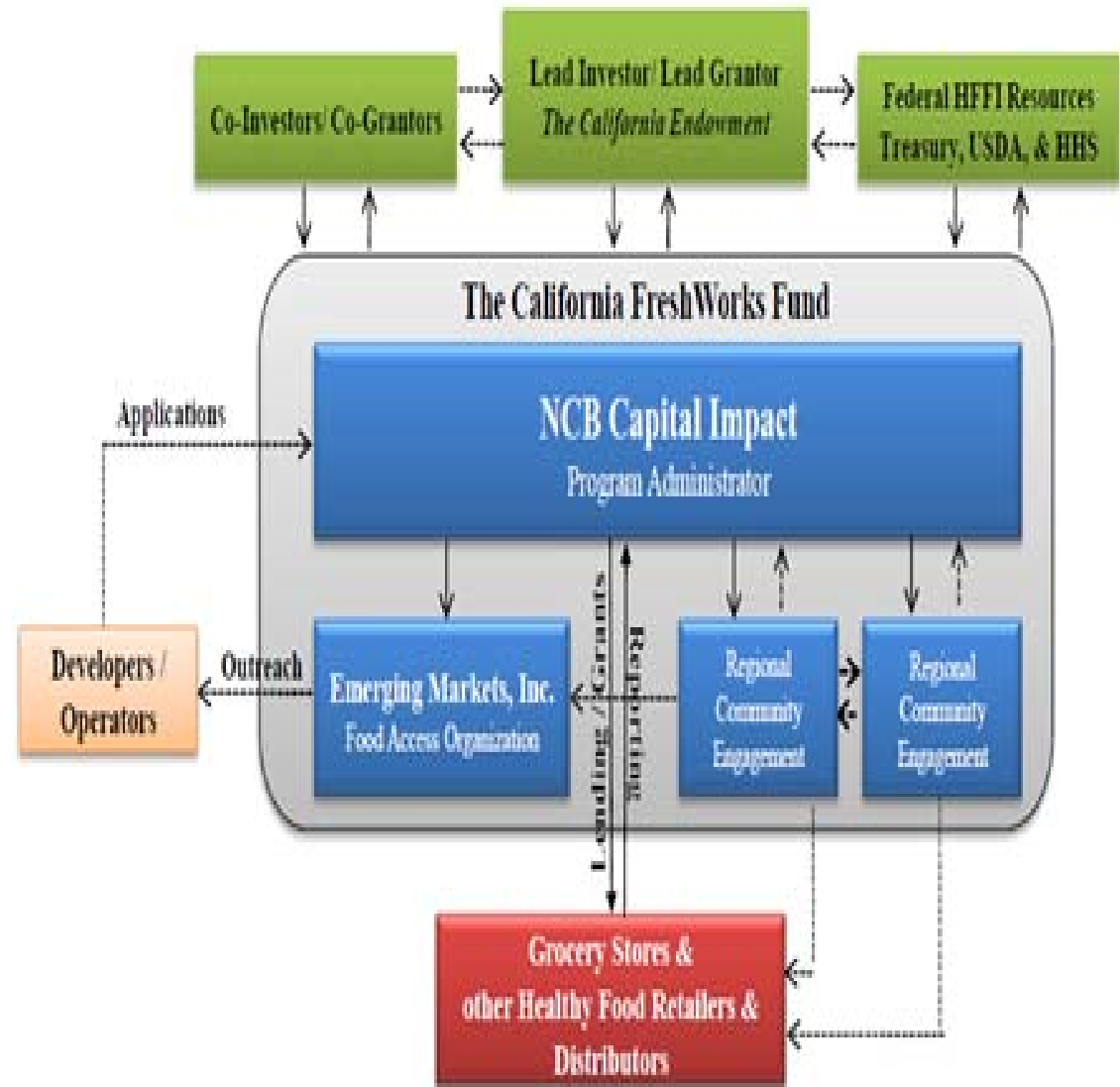
Healthy Food. Closer To Home.

Goal:

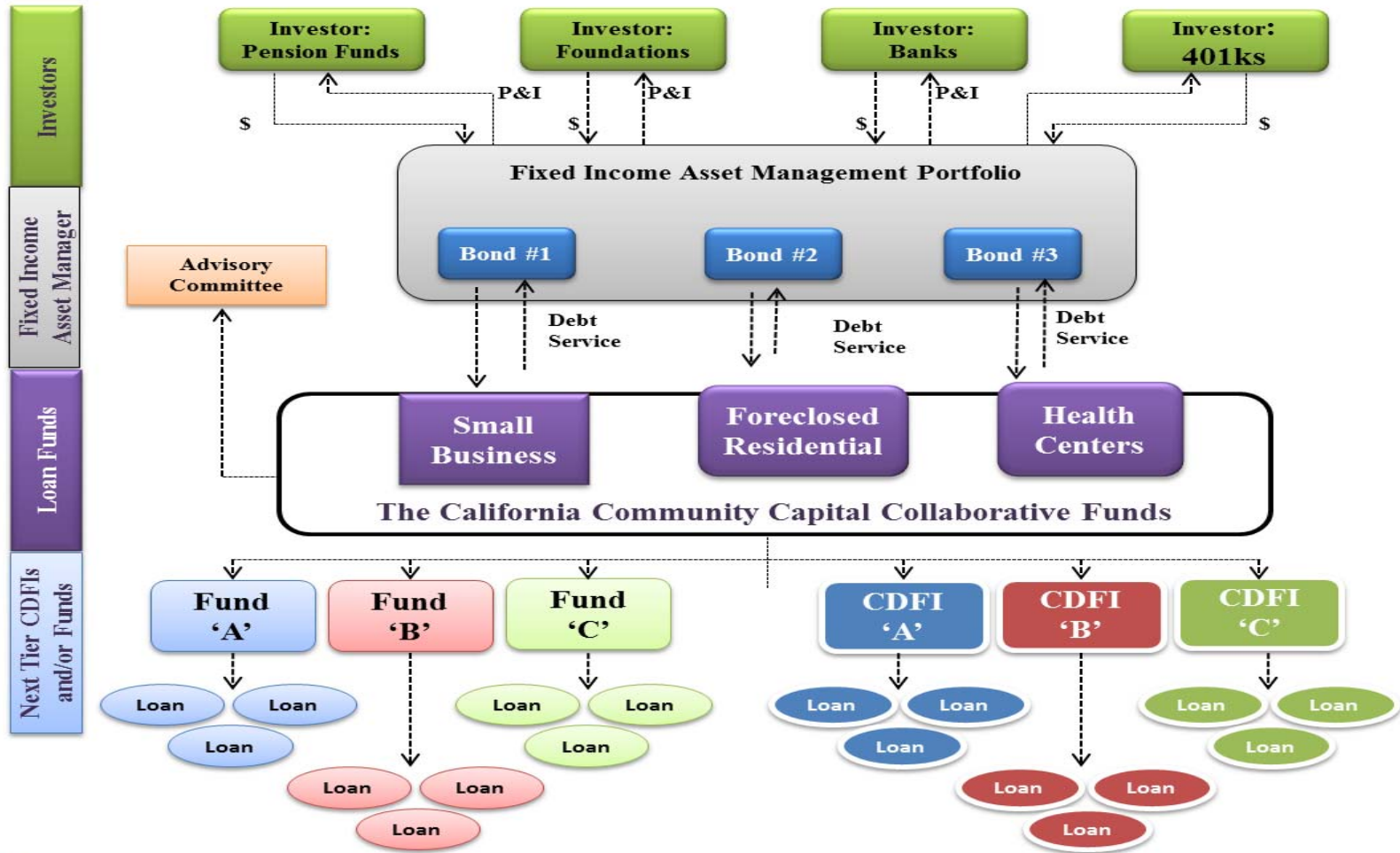
\$90 Million

**Funds Raised
to Date:**

\$270 Million

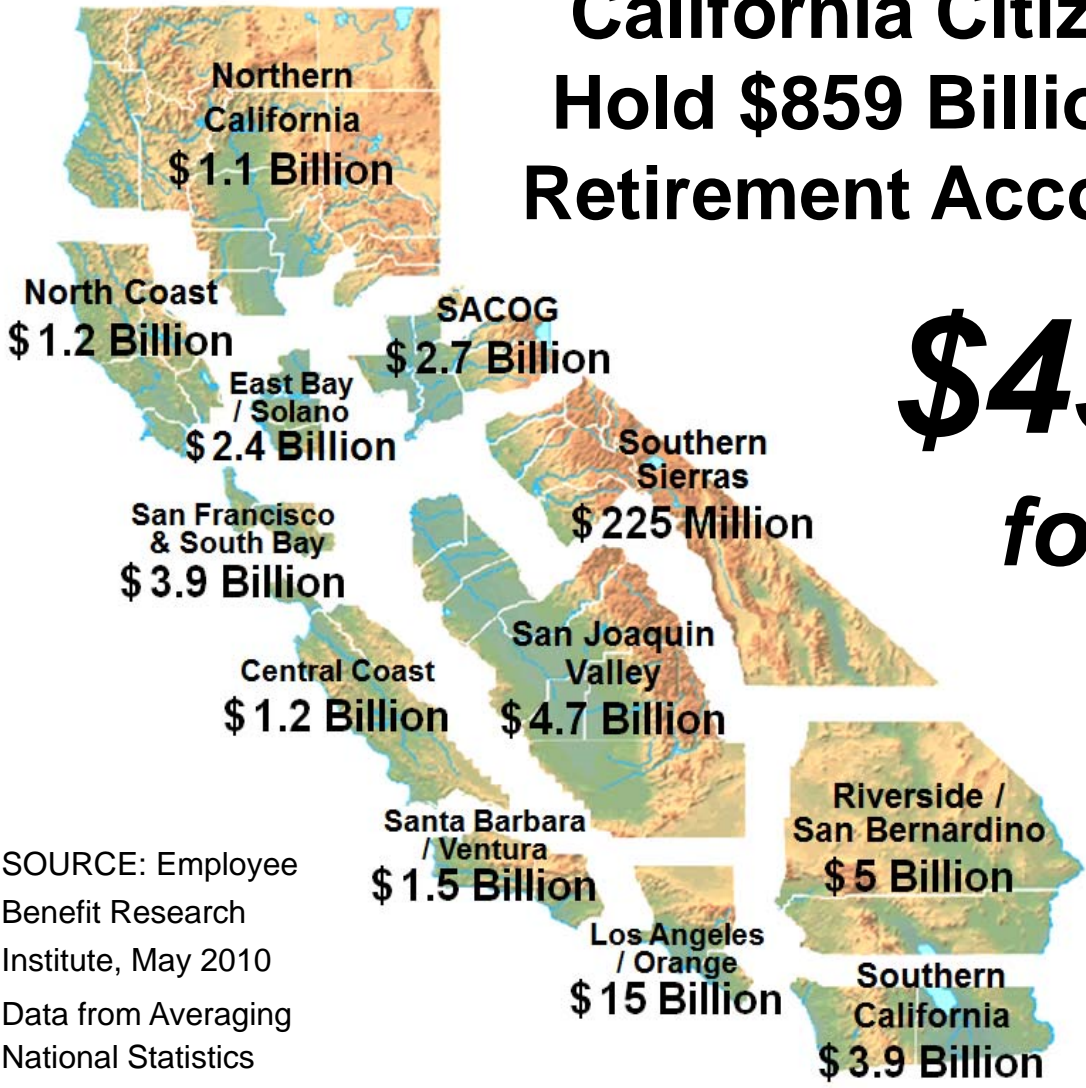


California Community Capital Collaborative



“Invest Local” Initiative

California Citizens
Hold \$859 Billion in
Retirement Accounts



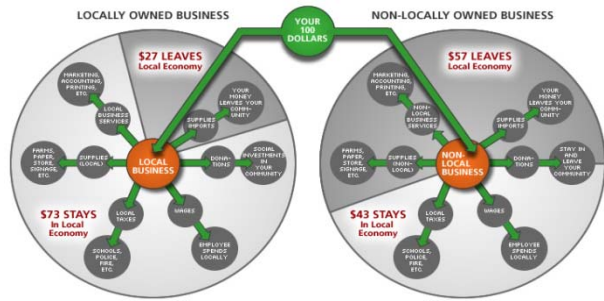
\$43 Billion
*for Investment in
California if...*

Residents Bring **5%**
of Their Retirement
Accounts Home

SOURCE: Employee
Benefit Research
Institute, May 2010
Data from Averaging
National Statistics

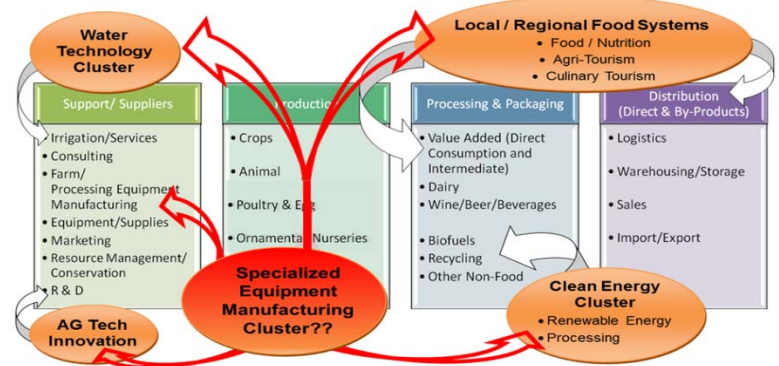


Committed to the future of rural communities



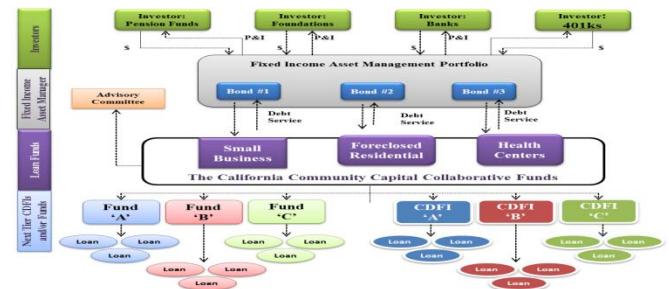
Buy Local

Build Clusters & Value Chains



Provide Infrastructure & Goods Movement

Invest Local





Committed to the future of rural communities



**California Rural Development
U.S. Department of Agriculture
430 G Street, Agency 4169
Davis, CA 95616**

Phone: 530-792-5800

www.rurdev.usda.gov/ca

Unlocking the Development Finance Toolbox

Sam S. Balisy

Partner

Kutak Rock LLP

Los Angeles, CA



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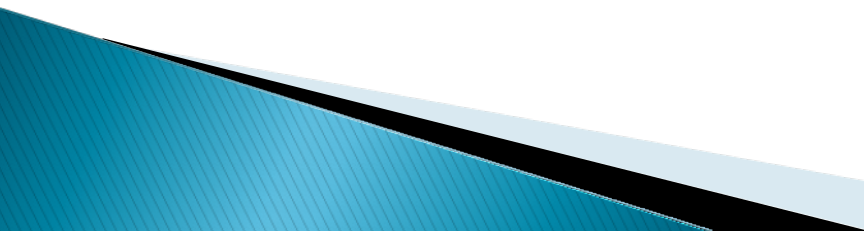
CDFA: Advancing Development Finance Knowledge, Networks & Innovation

CDFA CALIFORNIA FINANCING ROUNDTABLE

Unlocking the Development Finance
Toolbox in California

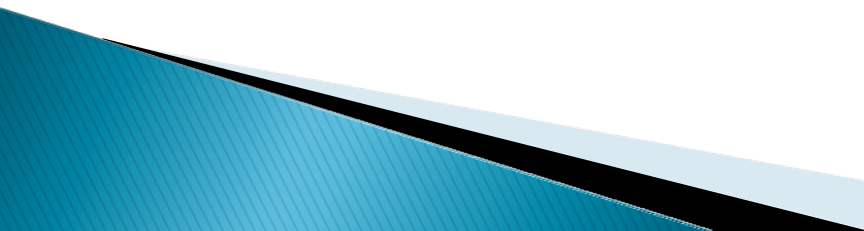
Sam S. Balisy, Esq.

OUTLINE

- ▶ Tax-Exempt Bonds – General Requirements
 - ▶ Private Activity Bonds
 - ▶ Qualified Private Activity Bonds
 - ▶ Qualified Small Issue IDBs
 - ▶ Small Issue IDB Structure
 - ▶ Combining IDBs with SBA 504 Loan
 - ▶ Federal Tax Requirements: Private Activity Bonds
 - ▶ Federal Tax Requirements: Small Issue IDBs
 - ▶ 501(c)(3) Bond Requirements
 - ▶ Financing Structures
 - ▶ Benefits of Bond Financing to Borrower
 - ▶ Historical Comparison of Interest Rates
- 

TAX EXEMPT BONDS

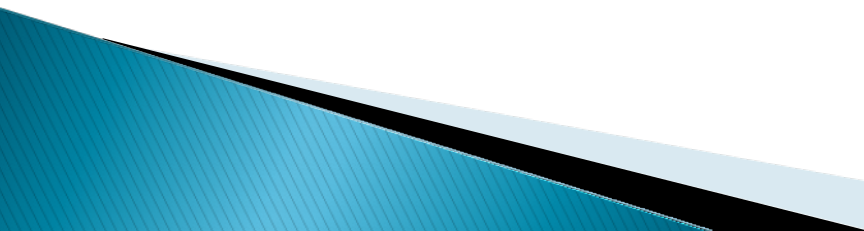
GENERAL REQUIREMENTS

- ▶ Bonds must be registered and issued by state or local government
 - ▶ No federal guarantees, except for housing bonds
 - ▶ Information reporting -- IRS Form 8038
 - ▶ Private Activity Bonds are taxable unless “Qualified”
- 

PRIVATE ACTIVITY BONDS

- ▶ Two-part test:
 - **10% private business use test**
Use by a “nongovernmental person” (Federal government, other private entity (corporation, partnership, limited liability company), 501(c)(3) organization) exceeds 10%
 - AND**
 - **10% private payment or security test**
Present value of all private payments -- payments made by private business users allocable to the private business use -- over the term of the Bonds exceeds 10%

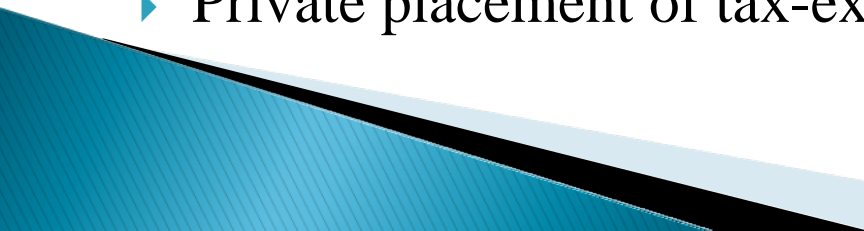
QUALIFIED PRIVATE ACTIVITY BONDS

- Exempt Facility Bonds – includes residential rental housing (multifamily)
 - Mortgage Revenue (Single Family) Bonds
 - Qualified Student Loan Bonds
 - Qualified 501(c)(3) Bonds
 - Qualified Small Issue Bonds (“IDBs”)
- 

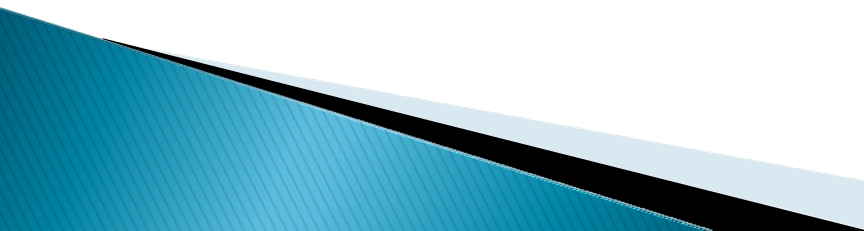
QUALIFIED SMALL ISSUE IDBs

- ▶ Bonds issued to finance acquisition of land, buildings and/or new equipment associated with manufacturing facility
- ▶ Total user limit of \$40 million; total capital cost limit of \$20 million; tax-exempt bond limit of \$10 million
- ▶ Bond proceeds can be used:
 - to purchase land and construct a building
 - to purchase and rehabilitate an existing building
 - to finance the expansion of existing facilities
 - to finance the acquisition of new equipment
 - to pay soft costs up to federal tax limits
- ▶ No location restrictions

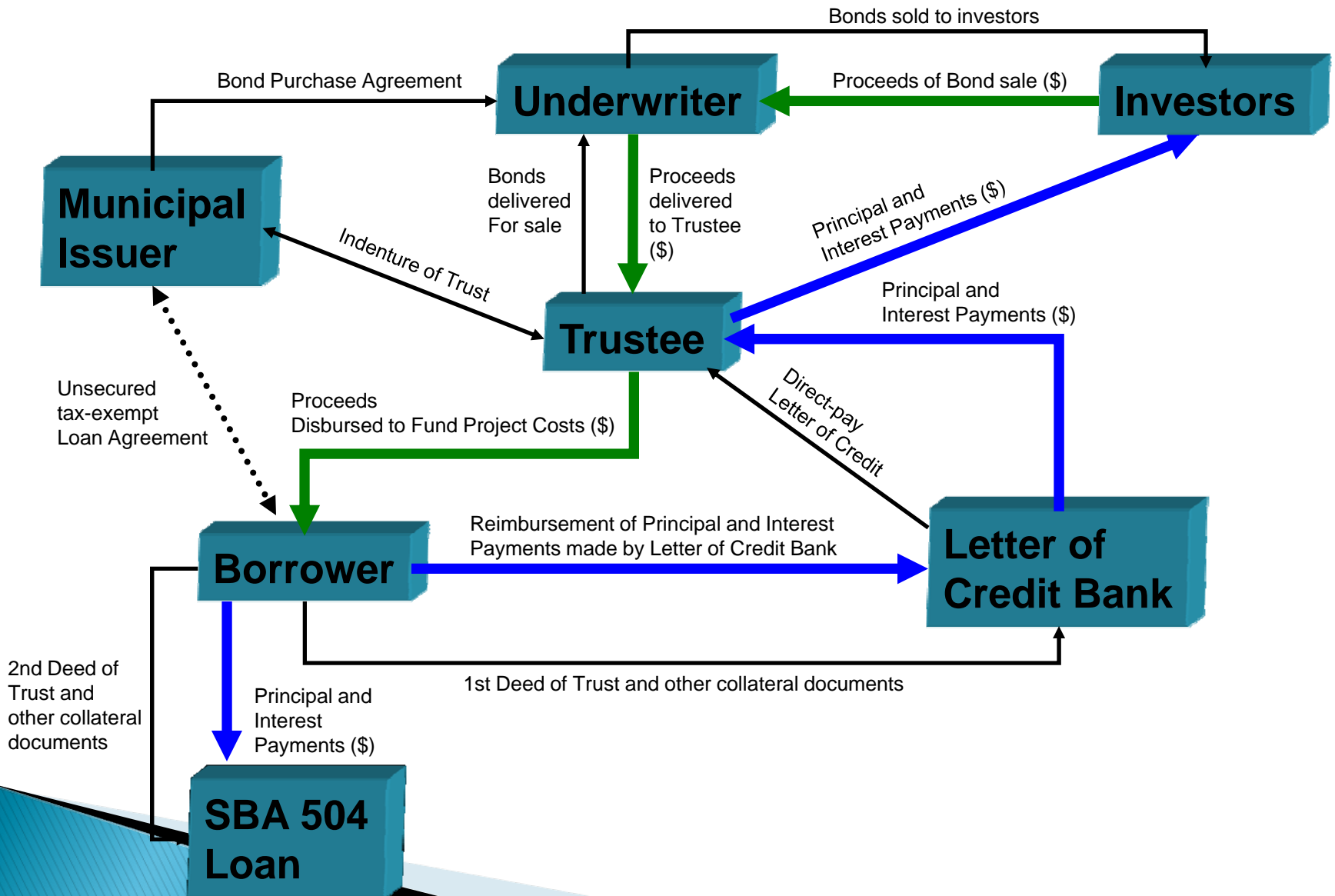
SMALL ISSUE IDB BOND STRUCTURE

- ▶ Up to \$10 million in bonds are issued by a governmental entity such as an industrial development authority or statewide issuer (IDA); Bond proceeds are used to fund a loan to Borrower; Borrower is directly responsible for repaying principal and interest on the Bonds
 - ▶ Funds are disbursed to Borrower in accordance with the loan documents, typically with the consent of the lender
 - ▶ No public moneys are involved; neither the IDA nor any political subdivision of the State are liable for the Bonds
 - ▶ Credit support for the Bonds is often provided by a bank letter of credit or other form of credit enhancement
 - ▶ Private placement of tax-exempt Bonds is also an option
- 

COMBINING IDBs WITH SBA 504 LOAN

- ▶ SBA has officially approved structuring IDBs with the SBA 504 Loan program
 - ▶ Allows manufacturers and solid waste companies to use tax-exempt bonds as the first lien and obtain 90% LTV financing
 - ▶ IDB must be structured with a Letter of Credit to satisfy priority guidelines
 - ▶ Lowers borrower's interest cost associated with first loan
- 

LETTER OF CREDIT-BACKED BOND ISSUANCE/SBA-504 LOAN STRUCTURE



FEDERAL TAX REQUIREMENTS: PRIVATE ACTIVITY BONDS

- ▶ TEFRA Notice and Public Hearing
 - Notice – 14 days prior to hearing
 - Newspaper of general circulation
 - Public hearing
 - Approval by highest elected or appointed official
- ▶ 120% Limit on Bond Maturity
- ▶ 2% Limit on Costs of Issuance
- ▶ At least 95% of the net proceeds must be spent on “good costs”
 - 5% “bad money” includes 2% cost of issuance limit

FEDERAL TAX REQUIREMENTS: SMALL ISSUE IDBs

- ▶ **MANUFACTURING REQUIREMENT**—Bond proceeds must be used to finance a manufacturing facility. A manufacturing facility is any facility used in the manufacturing or production of tangible personal property (including the processing resulting in a change in the condition of such property), including land, building and equipment
- ▶ **CORE MANUFACTURING REQUIREMENT**—75% of the proceeds of the bonds must be used for “core” facilities (i.e. where the actual product is made, including staging, assembly and other aspects of the manufacturing or production process)
- ▶ **LIMIT ON BOND ISSUE SIZE** – The issue price of each issue of tax-exempt small issue IDBs may not exceed \$10 million
- ▶ **NATIONAL PER USER LIMIT** – The total amount of all small issue IDBs for a given taxpayer may not exceed \$40 million nationally

FEDERAL TAX REQUIREMENTS: SMALL ISSUE IDBs

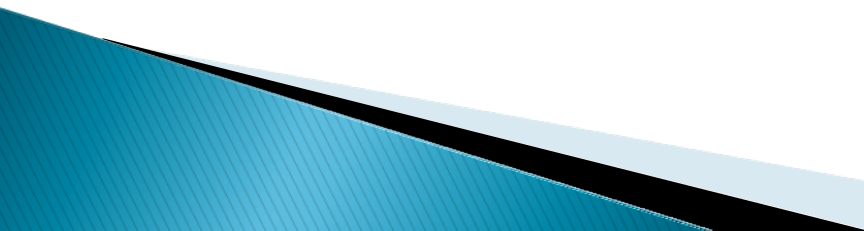
- ▶ **\$20 MILLION CAPITAL EXPENDITURE LIMITATION** -- capital expenditures paid or incurred in the jurisdiction in which the Bond financed facility is located must remain under \$20 million during the six-year period commencing three years prior to the issuance of the Bonds and ending three years after the issuance of the Bonds
 - Property acquired outside the jurisdiction and moved into the jurisdiction is counted if the property is acquired during the relevant six-year period
 - It generally does not matter who pays the expenditure with respect to the facility as long as the Borrower is a principal user of such property
 - Capital leases generally count and operating leases do not count
 - Property acquired to replace damaged or destroyed property does not count up to the fair market value of the property replaced

FEDERAL TAX REQUIREMENTS: SMALL ISSUE IDBs

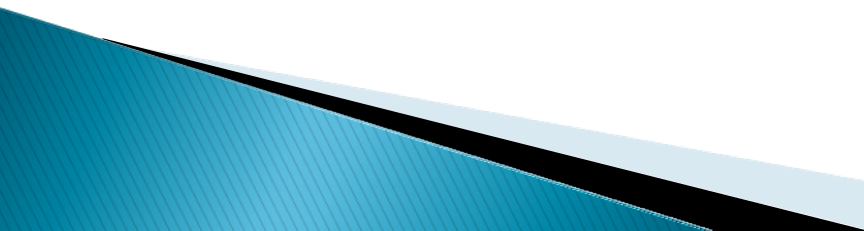
\$20 Million Capital Expenditure Example

▶ Acquisition of Land:	\$ 3,000,000
▶ Construction of Building:	10,000,000
▶ Capitalized Interest during Construction:	350,000
▶ Prior Capital Expenditures:	2,000,000
▶ Costs of Issuance and Miscellaneous Costs:	<u>200,000</u>
▶ Total Capital Expenditures Prior 3 Years:	<u>\$15,550,000</u>
▶ Available Capital Expenditures for the Following 3 Years:	<u>\$4,450,000</u>

501(c)(3) BOND REQUIREMENTS

- ▶ Financed property must be owned by a IRC Section 501(c)(3) organization or governmental unit
 - ▶ At least 95% of proceeds used by a IRC Section 501(c)(3) organization in an exempt activity or by a governmental unit
 - ▶ IRC Section 501(c)(3) organization can refinance existing debt if the loan proceeds were used for initial acquisition or construction
 - ▶ Proceeds may not be used to finance places of worship or schools of divinity
- 

BENEFITS OF BOND FINANCING TO BORROWER

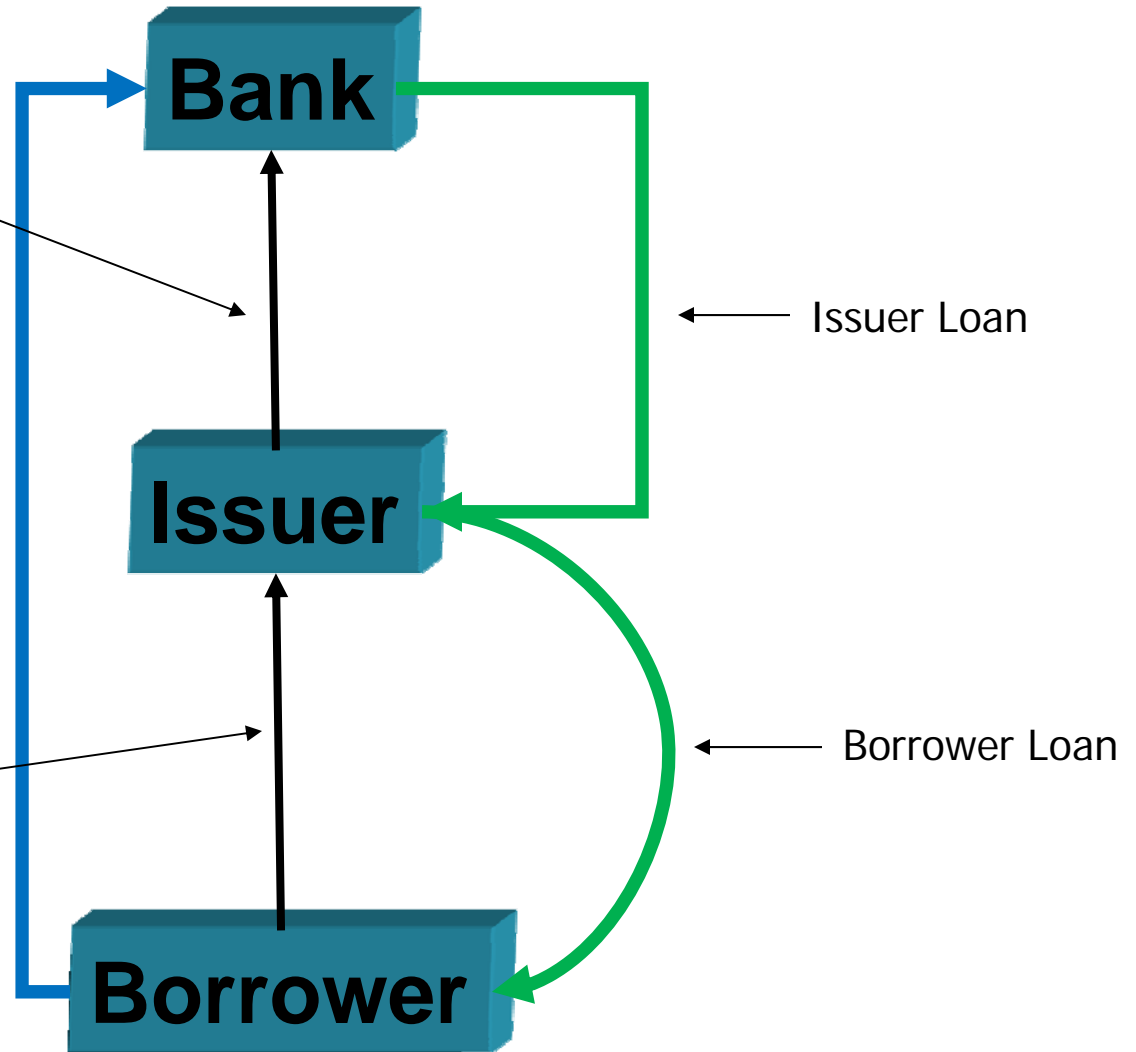
- ▶ Borrow at the lowest possible interest rates
 - ▶ Serves as an integrated financing vehicle that can fund construction and development phases, provide long-term financing and fund future capital expenditures
 - ▶ Highly flexible structure – interest-only periods; variable amortization schedule; and partial or full prepayment without penalty
 - ▶ Portable financing structure
- 

Financing Structure: Three Party Loan Agreement

Assignment of Issuer's rights and obligations under the Borrower Loan and Assignment of Deed of Trust

Borrower Loan Payments

Deed of Trust



Tax-Exempt Rate VS. Libor, Prime RATE



For more information, please contact:

Sam S. Balisy

Kutak Rock LLP

601 S. Figueroa Street, Suite 4200

Los Angeles, CA 90017-5747

Direct Dial: (213) 312-4009

Main: (213) 312-4000

sam.balisy@kutakrock.com



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Unlocking the Development Finance Toolbox

Deborah La Franchi

President & CEO

Strategic Development Solution

Los Angeles, CA



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California Tools: Using New Markets Tax Credits and Future Funds

Deborah La Franchi
CEO & President,
Strategic Development Solutions



Contents

- SDS Background
- Federal NMTCs
- State NMTCs
- Double and Triple Bottom Line Funds

About SDS

Established: 2001 by Deborah La Franchi – Founder/CEO

Focus: Creating new financial vehicles and securing capital to further economic and community development in low-income communities (US and international)

Experience:

\$2B DBL/TBL private equity funds built with Economic Innovation

\$312 million National New Markets Fund (23 investments) jointly managed with Economic Innovation International

Expertise:

Designing, Building and Managing TBL Funds

Identifying and Securing Alternative Financing

Preparing Project Impact Reporting

Providing NMTC Back Office and Operational Support

Building Economic Development Capacity

New Markets Tax Credits

- Started in 2000 by President Clinton
- Economic Development and Community Development
- Approximately a 20% subsidy – 7 year compliance
- Flexible asset types (housing restrictions)
- Projects secure \$ from Allocatees
- http://cdfifund.gov/docs/nmtc/2013/NMTCQEI_Report05022013.pdf

National New Markets Fund

- SDS manages the fund with Economic Innovation International
- \$312 million in allocation (\$75M new)
- Business and Real Estate Investments
- National focus
- Wide range of assets

S.T. PAPER MILL



Date of Closing: April 2010

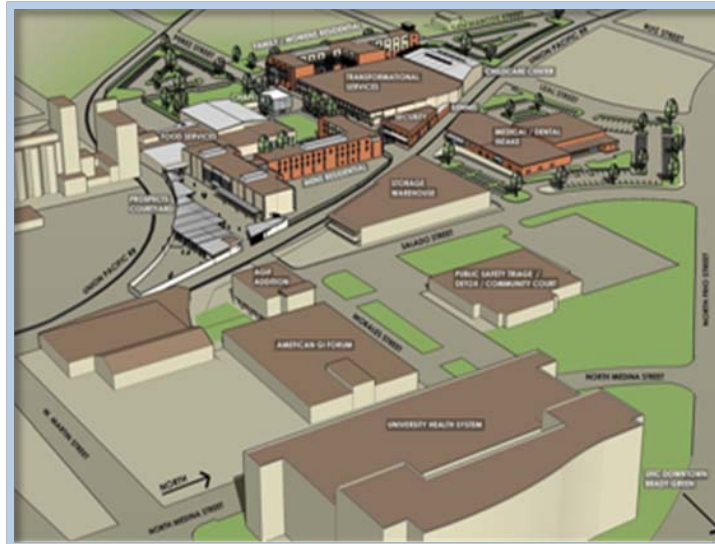
NMTCs \$22M

US Bank Loan \$22M
Self Funding \$49.3M

Total Cost: \$93.3M

- Locally-owned manufacturer in Oconto Falls, Wisconsin, specializing in tissue and linerboard
- Three paper mills have closed in Wisconsin with two more set to close in 2010
- Wisconsin has lost around 1/3 of its papermaking jobs since 1997
- Largest private employer, 87 employees, in Oconto Falls; unemployment is 11.9%
- Six low-income persons have a combined equity ownership interest totaling 50% of the company
- Uses 100% recycled fiber

HAVEN FOR HOPE



Date of Closing: December 2009

NMTC Allocation: \$38.5M
 NNMF NMTCs: \$15M \$ 9.2M

City of San Antonio: \$22.5M

County of Bexar: \$11M

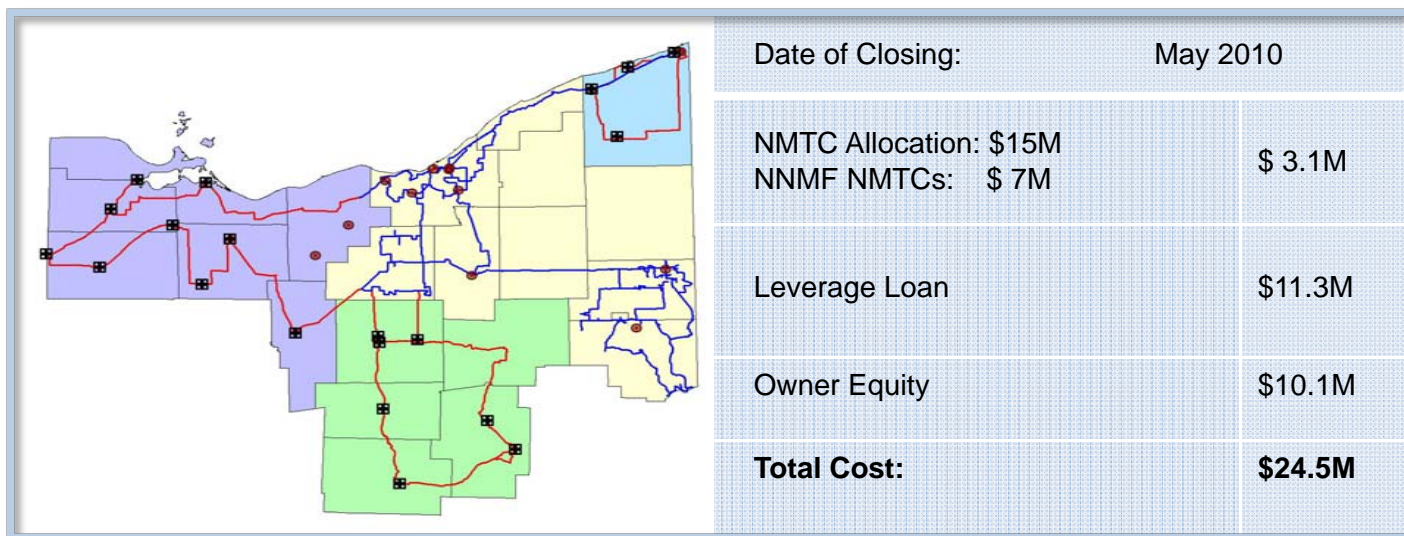
State of Texas: \$ 9.5M

Private Donations: \$51.5M

Total Cost: \$103.7M

- Sponsor: 501(c)3 non-profit Haven for Hope
- Mission: to provide training, skills and assistance for homeless to become self-sufficient
- Two years researching best practices to become a national model
- Revitalizes a San Antonio, TX neighborhood
- 78 Partner agencies - 145 functional services
- Reducing energy consumption: Energy Star® Roofs, double pane/low E glass, natural lighting, and high-efficiency air cooling and heating tech

NEXT GENERATION HEALTHCARE



- Sponsor: OneCommunity an award winning 501(c)3 nonprofit
- Provides ultra high speed (100 Mbps–100 Gbps) broadband fiber optic connectivity for: health care, govt, education and civic institutions
- 22 counties in Medically Underserved Areas (MUA) of NE Ohio
- Delivers telemedicine and remote diagnostic services, and enhance access to health and medical imaging records
- Enables provisioning of telemedicine services to over 7 million citizens in NE Ohio

DREAM CENTER



Date of Closing:	August 2012
NMTC Allocation: \$49.7M NNMF NMTCs: \$15M	\$ 15M
Self-Funded Loan	\$34.8M
Total Cost:	\$24.5M

- Community Facility in Echo Park, Los Angeles, CA
- Rehabilitation of a historic building
- 650 people live on site and organization serves 50,000 people annually
- Services and programs offered include residential rehabilitation programs for teens and adults, a shelter for victims of human trafficking, a transitional shelter for homeless families, mobile hunger relief and medical programs, and a foster care intervention outreach

PLAZA ADELANTE



Date of Closing: December 2008

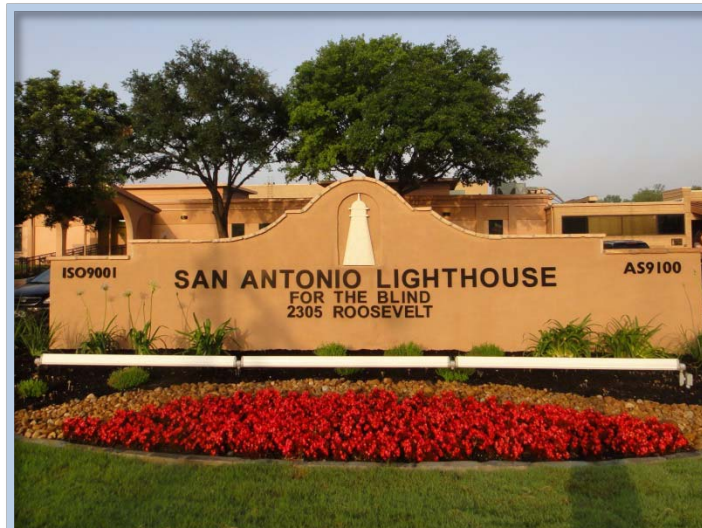
NMTC Allocation: \$9M NNMF NMTCs: \$ 9M	\$ 2.7M
--	---------

Other	\$6.7M
-------	--------

Total Cost:	\$9.4M
--------------------	---------------

- Redeveloped existing warehouse into a multi-tenant nonprofit center
- Located in San Francisco's Mission District
- Houses approximately 10 nonprofits
- One-stop service delivery center to meet low-income residents' financial, legal, health, and supportive service needs
- Targeting LEED Certification for Existing Buildings

SAN ANTONIO LIGHTHOUSE FOR THE BLIND



Date of Closing:	August 2012	
NMTC Allocation: \$12.7M	\$4.5M	
NNMF NMTCs: \$ 12.7M		
Other	\$11.3M	
Total Cost:	\$15.8M	

- Constructed a new multi-purpose facility to house expansion of the Rehabilitation Services Department and Manufacturing Operation
- Positioned the Lighthouse to be self-sustaining, expand rehabilitation services and generate blind jobs
- Will enable the Lighthouse to serve an additional 2,000 per year with rehabilitation services

ARGONAUT BUILDING



Date of Closing:	February 2009
NMTC Allocation: \$69M NNMF NMTCs: \$ 7.5M	\$ 20.7M
Other	\$137.2M
Total Cost:	\$157.9M

- Converted a historic GM building into a 760,000 sq. ft. mixed-use educational facility
- Located in Detroit
- Achieved LEED Certification for Existing Buildings and incorporated sustainability features
- Features educational facilities for undergraduate and graduate programs, residential facilities for up to 300 students and an arts and design middle and high school

State NMTC Programs

- Alabama
- Connecticut
- Florida
- Illinois
- Kentucky
- Louisiana
- Maine
- Mississippi
- Missouri
- Nebraska
- Ohio
- Oklahoma
- Oregon
- California Proposal: AB305, 39% credit, \$40M Annually
- Texas Proposal: HB2061, \$750M

Double/Triple Bottom Line Funds

- Private capital seeded with government support
- Market rates of return but mission of impact
- SDS/Economic Innovation: \$2 billion
- Example: Genesis LA: 3 funds, 3 NMTC Allocations
- Bay Area Family of Funds: 4 funds
- Effort at state level to create statewide funds



STRATEGIC



DEVELOPMENT



SOLUTIONS

Deborah La Franchi
CEO & President

dl@sdsgroup.com

www.sdsgroup.com

310.914.5333

Unlocking the Development Finance Toolbox

Deana Carrillo
Program Manager II
CAEATFA
Sacramento, CA



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Financial Assistance Programs

Housed in the State Treasurer's Office
with a focus on



Unlocking the Development Finance Toolbox in California
May 23, 2013

Deana Carrillo
Program Manager II, CAEATFA

Several Financing Agencies within the State Treasurer's Office

California Alternative Energy & Advanced Transportation Financing Authority

California Pollution Control Financing Authority

Other Financing Agencies

- California Industrial Development Advisory Commission
- California Health Facilities Financing Authority
- California School Finance Authority
- California Educational Facilities Authority

CAEATFA



Created in 1980 to provide credit support, access to low-cost financing through private activity tax-exempt bonds, loans, and other forms of financial assistance



CAEATFA Board: Treasurer Bill Lockyer (Chair), Controller John Chiang, Director of Finance Ana Matosantos, California Energy Commission Chair Bob Weisenmiller and California Public Utilities Commission President Michael Peevey

CAEATFA Programs

Bond Financing

Sales and Use Tax Exclusion for Manufacturers

- Qualified manufacturers include: *alternative source* and *advanced transportation* products; expanding to include *advanced manufacturing*.

Residential Energy Efficiency Retrofits

- Loan Loss Reserve for Lenders
- PACE bond reserve

CAEATFA BONDS



CAEATFA is the main state bond issuer for energy related bonds.



Cogeneration Facility Bonds, Clean Renewable Energy Conservation Bonds (CREBS), Qualified Energy Conservation Bonds (QECB)



Issued over \$212 million in bond debt, approximately \$75 million currently outstanding.

Sales and Use Tax Exclusion for Manufacturers

Alternative Energy and Advanced Transportation Manufacturer Sales Tax Exclusion

- CAEATFA administers a sales tax exclusion for manufactures of advanced transportation and alternative source. Exclusions for solar, anaerobic digestion, electric vehicle and other manufacturers have been granted.

Advanced Manufacturing Sales Tax Exclusion

- CAEATFA is implementing a new sales tax exclusion for advanced manufacturing companies.

Sales and Use Tax Exclusion for Manufacturers

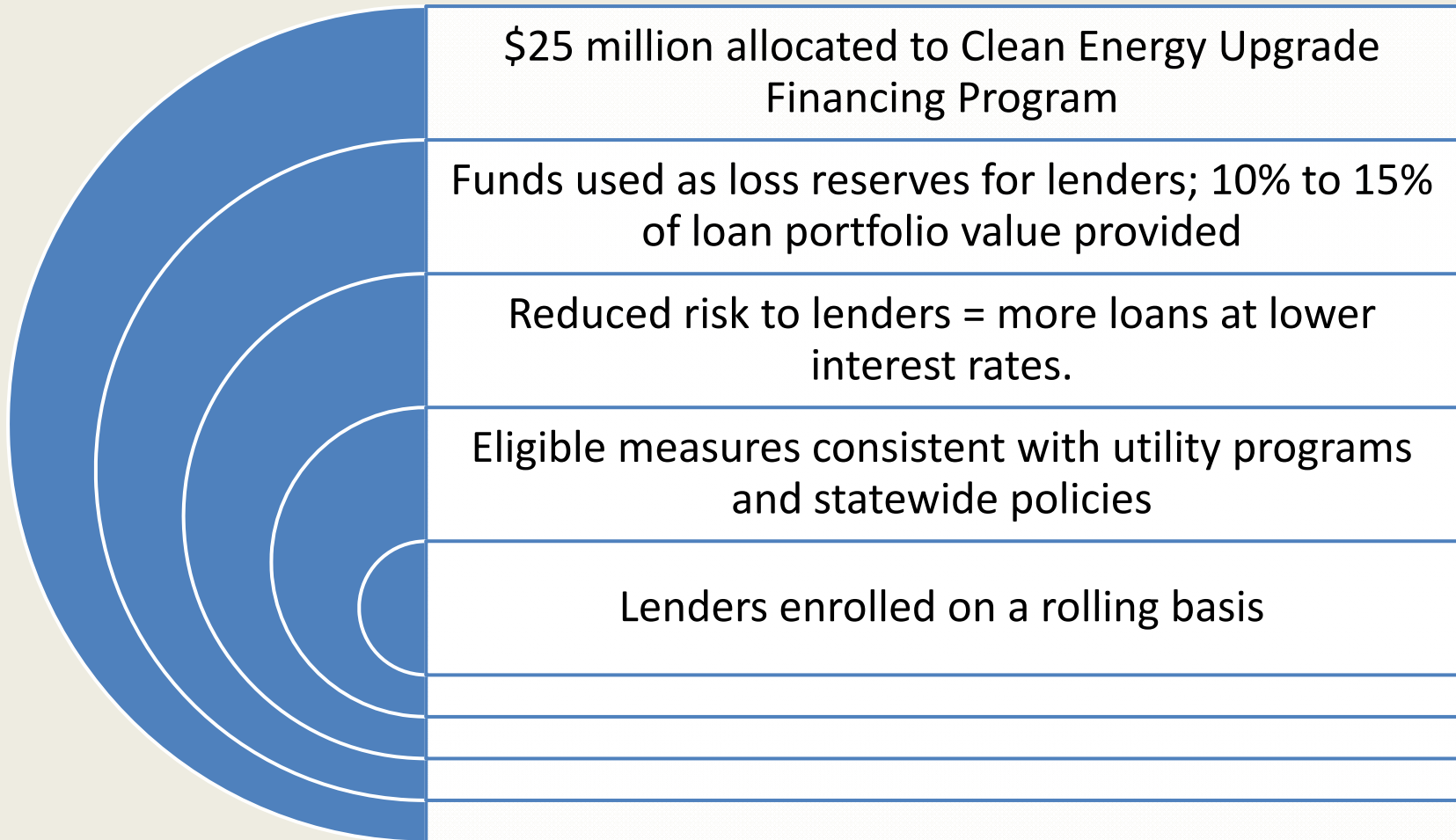
- Applications evaluated on a rolling basis.
- Evaluated to ensure Net Benefit to state (fiscal and environmental benefits)
- Equipment/Qualified Property be purchased within 3 years.
- Currently expanding the program to include *advanced manufacturers*.
- \$100 in STE awards per year

PROJECTS APPROVED: As of April 16, 2013

Project Benefits	
Number of Projects	43
Qualified Property Amount	\$1,185,868,160
STE Amount (Anticipated)	\$100,454,498
Estimated Environmental Benefit Value	\$73,885,077
Estimated Fiscal Benefit Value	\$127,589,379
Estimated Net Benefit Value	\$101,019,959
Total Jobs	6,023
Total Jobs Due to SB 71	566

Projects By Industry Type	
Biogas Capture & Production	9
Biomass Processing and Fuel Production	6
Demonstration Hydrogen Fuel Production	1
Electric Vehicle Manufacturing	2
Energy Efficient LED Manufacturing	1
Geothermal Brine Extraction	1
Landfill Gas Capture & Production	7
Lithium Ion and Battery Material Manufacturing	2
Solar Fuel Generators	1
Solar Photovoltaic Manufacturing (or related)	12
Solid Oxide Fuel Cell Systems Manufacturing	1

Residential Energy Efficiency Retrofits – Loan Loss Reserve for Lenders



PACE for Residential/Small Commercial

\$25 Million Reserve Program

CAEATFA is authorized to establish a Property Assessed Clean Energy (“PACE”) Bond Reserve Program (“SB 77 Program”) to provide credit enhancement support to local jurisdictions with existing residential and small commercial PACE programs to reduce the interest rate on issued bonds.

The SB 77 Program allows a reserve of no more than ten percent of the initial principal amount of the PACE bond and is currently funded with up to \$25 million.

Program development was put on hold due to the legal issues raised at the federal level. CAEATFA continues to monitor any legislative advances in Congress as well as the outcome of the FHFA’s rulemaking process.

Other CAEATFA Programs

Emerging Utility Conservation Financing Programs

- CAEATFA is being considered to administer the energy efficiency financing pilot programs being developed at the California Public Utilities Commission.
- The pilots include credit enhancement programs for the residential sector, and an on-bill repayment program for non-residential.

CAEATFA Contacts

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California Pollution Control Financing Authority (CPCFA)



Established in 1973 through legislation signed by then Governor Ronald Reagan



CPCFA Board: Treasurer Bill Locker (Chair), Controller John Chiang, Director of Finance Ana Matosantos



\$14 billion in bonds issued; including Over \$800 million in bonds issued in 2012



Bond fees have been used to set up small business support and brownfields programs

CPCFA Financing Programs

Bond Financing

Tax-exempt bonds for qualifying waste, recycling, water and pollution control facilities

Taxable bonds for waste, recycling, water and pollution control

California Capital Access Program (CalCAP)

Small business loan assistance through loss reserves and collateral support

Special Assistance for diesel equipment, trucks and recyclers; emphasis on energy and environmental improvements

California Recycle Underutilized Sites (CALReUSE)

Grants and loans to clean up contaminated lands

Loans for brownfield site assessments

CPCFA Bond Financing

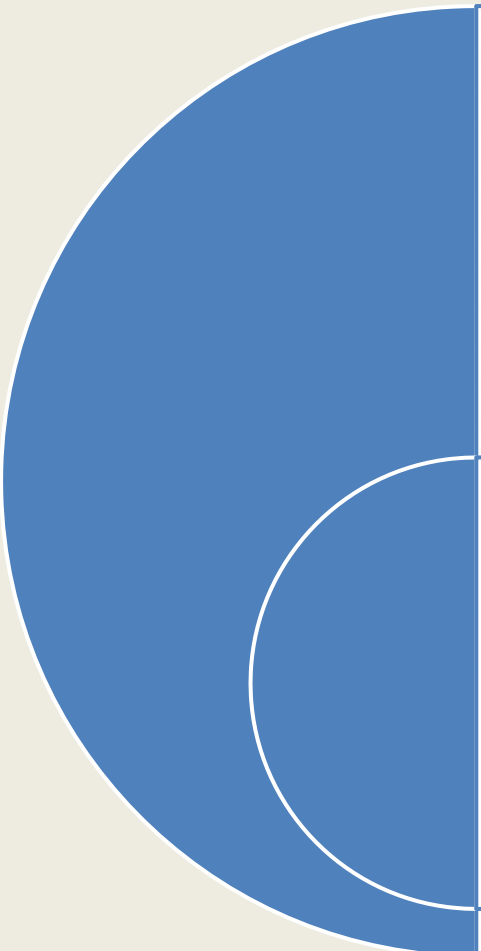
Over \$2.9 billion Private Activity Tax Exempt Bond Allocation Available

- Qualified waste, recycling, water and wastewater projects

Additional Possibilities

- includes pre-pay bonds for utility scale alternative energy generation, bio-diesel facilities, landfill gas, alternative fuels using waste products such as wood waste, alternative energy at qualified facilities.

Bonds: Small Business support



CPCFA has a \$16 million small business assistance fund which can be tapped to assist with the costs of issuance for bonds for qualified companies.

Qualified businesses with under 500 employees can receive up to \$205,000 towards the cost of issuance

CalCAP: Small Business Assistance SSBCI funds



State Small Business Credit Initiative is administered by U.S. Treasury. \$84 million went to CPCFA




Existing Capital Access Program (CalCAP) reduces the risk of loans by providing funds for loan loss reserves for banks, credit unions and CDFIs.



New Collateral Support Program

California Capital Access Program (CalCAP)

Small Business Loans – Loan Loss Reserve for Lenders




Encourages lenders to make loans to small businesses that fall just outside their conventional underwriting standards

Lenders enrolled on a rolling basis.

Loan loss reserve for eligible loans; pooled to off-set the risk of loan default or charge-off

Small Businesses 500 employees or less.

Collateral Support Program



Targets 504 Bridge Loans, energy improvements and alternative energy/energy conservation related businesses.

CPCFA will provide lenders up to 50% of loan value as cash collateral for loans.

Minimum support will be \$100,000 and maximum will be \$5 million.

Loan size up to \$20 million, business size up to 750 employees

CPCFA Contacts

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CALReUSE Program

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Manager

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California Industrial Development Advisory Commission (CIDFAC)

CIDFAC

- Approves the issuance of IDBs as a partner with local governments.

IDBs

- IDBs provide manufacturing and processing companies low-cost, low-interest financing for capital expenditures.
- Eligible capital expenditures include the acquisition of land, building construction, building renovation and the purchase of machinery and equipment.

Contact Information

- Deanna Hamelin, CIDFAC Analyst, dhamelin@sto.ca.gov; 916-657-4337
- <http://www.treasurer.ca.gov/cidfac/index.asp>

California Health Facilities Financing Authority (CHFFA)

Financing Assistance to Public and Non Profit Health Care Providers

- Bond Financing
- Tax-Exempt Equipment Financing Program

Loans to Small and Rural Health Facilities

- HELP II Loan Program
- Medi-Cal Bridge Loan Program

Grant Programs

- California Health Access Model Program (CHAMP)
- Children's Hospital Program: Capital grants

Contact Information

- Barbara Leibert, Executive Director, (916) 653-2799, bliebert@sto.ca.gov
- <http://www.treasurer.ca.gov/chffa/index.asp>

California Education Facilities Authority (CEFA)

CEFA

- Mission to provide students with better access and broader opportunities in higher education by providing qualified **non-profit private higher education institutions** with the assistance needed to reduce their capital costs of financing academic related facilities

Financing Programs

- Bond Financing Program for construction projects
- Short-term Equipment Financing Program

Contact Information

- Ronald Washington, Executive Director, (916) 653-2872, rwashington@sto.ca.gov
- <http://www.treasurer.ca.gov/cefa/index.asp>

California School Finance Authority (CSFA)

CSFA

- Finance educational facilities and provide school districts and community college districts access to working capital. Most recently focused on assisting charter schools to meet their facility needs

Financing Programs

- Charter School Facilities Program
- Charter School Facilities Credit Enhancement Grant Program
- State Charter School Facilities Incentive Grants Program

Contact Information

- Katrina M. Johantgen, Executive Director, (213) 620-4467, kjohantgen@sto.ca.gov
- <http://www.treasurer.ca.gov/csfa/index.asp>

And More...

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- <http://www.treasurer.ca.gov/>

Unlocking the Development Finance Toolbox

Dan Massiello

Senior Vice President of Public Finance

Kosmont Companies

Los Angeles, CA



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Economic Development *Without* Redevelopment

by:

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RDA Elimination Also Took TIF to the Grave

TIF is the Most Powerful Tool for Economic Development

- Tax-Increment Financing (TIF) model allowed local agencies access to significant & long-term source of funds
- Based on property tax which is a stable funding source
- Problem became that RDAs consumed 12% of State's local property tax revenue and left State on the hook to fund schools
- But TIF as a tool does not require a "Redevelopment Agency"
- CA now only 1 of 3 states w/o TIF; 47 other states use it without a Redevelopment Agency

*So What Tools are Left After
Redevelopment's Funeral?*

10 Hand Tools of Economic Development

Redevelopment WAS the Power Tool; These are the “Hand Tools”

- #1 Site-Specific Tax Revenue (“SSTR”) Pledge or Rebates
- #2 Ground Lease
- #3 Lease-Leaseback of City Assets
- #4 Tax-Exempt Revenue & Utility Bonds
- #5 Parking Authorities
- #6 Other Special Districts (CFDs, BIDs)
- #7 EB-5: Immigrant Investor Program (Green Cards for Jobs)
- #8 Competitive Federal & State Grants (EDA/CDBG)
- #9 New Market Tax Credits (NMTC)
- #10 Infrastructure Financing Districts (IFDs)*

*not ready for prime time without legislative fix

Recent Non-RDA Deals by Kosmont

Economic Development CAN happen with Hand Tools; Just More Complex and Lengthy

The following Kosmont deals will create \$500K to \$2.6M year in taxes

City of South Gate

“azalea” Retail Center

~600 jobs

\$2.6 million / year (sales & prop tax)

City of Redondo Beach

Courtyard Marriott & Hilton Garden Inn

~225 jobs

\$2.0 million / year (TOT & prop tax)

City of Norco

Silverlakes Equestrian Sports Park

~100 jobs

\$500K / year (lease rent & sales)

City of Victorville

Major Rehab of Victor Valley Mall

~250 jobs

\$1 million / year (sales & prop tax)

City of South Gate – “azalea” Retail Center

The Project:

- 372K sf regional retail center (Wal-Mart, Ross, Marshalls)
- Public Plaza & Events Center, City Services Annex
- **UNDER CONSTRUCTION; OPENING MID 2014**



Hand Tools Used:

- Utility Bonds for off-sites
- Site-Specific Tax Revenue (SSTR)
- New Market Tax Credits (NMTC)
- EDA Grant

City of Redondo Beach – Marine Ave. Hotels

The Project:

- 147 room Hilton Garden Inn & 172-room Marriott Residence Inn located adjacent to Metro station
- **UNDER CONSTRUCTION** as of **APRIL 9, 2013**
- Community use of meeting rooms; Fwy. Billboard use for City

Hand Tools Used:

- Ground Lease
- Lease-Leaseback
- Site-Specific Tax Revenue Pledge (Prop & TOT)
- Mezzanine Reserve Fund



City of Norco – Silverlakes Sports Complex

The Project

- 122-acre Equestrian, Events & Sports center
- Public park leased & operated by private sector
- Over \$500K per year in ground lease & tax revenues
- Community Use Agreement for regional park facility
- Construction activity beginning- OPEN mid 2014



Hand Tools Used:

- Ground Lease
- Utility Bonds- on-sites
- P3 Project Delivery



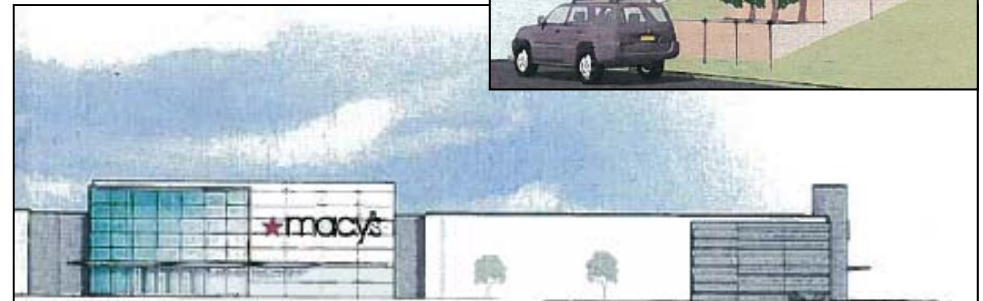
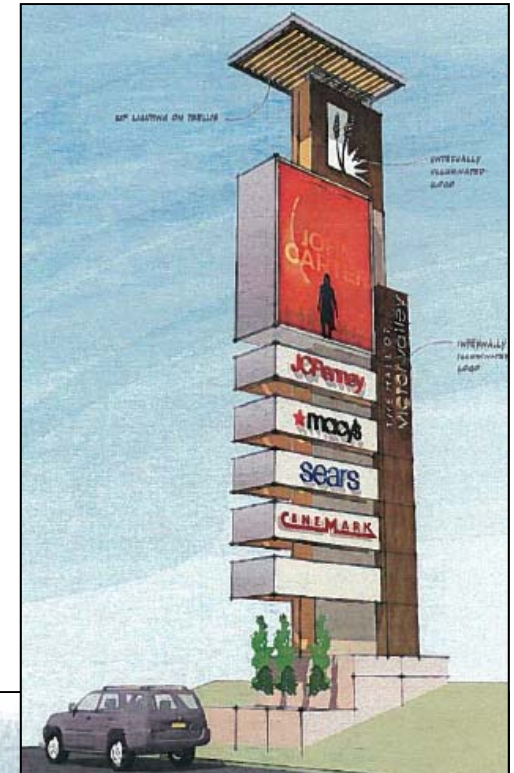
Macerich – Mall of Victor Valley

The Project

- Extreme Mall Makeover: Net increase of 47,000 retail SF (531,000 total SF)
- New Macy's and JC Penney (replacing shuttered Gottschalks and Mervyns)
- JCP opened in OCT. 2012
- MACY'S opened MAR. 2013

Hand Tools Used:

- Site-Specific Tax Revenue (SSTR)
- Development Agreement
- Operating Covenant



The Case for the Return of TIF

Tax Increment Financing does NOT have to mean
Redevelopment 2.0

TIF = *Economic Development* Financing

TIF is the most powerful Economic Development
tool, but CA now only 1 of 3 states without TIF

*How do we get TIF back to work
for California?*

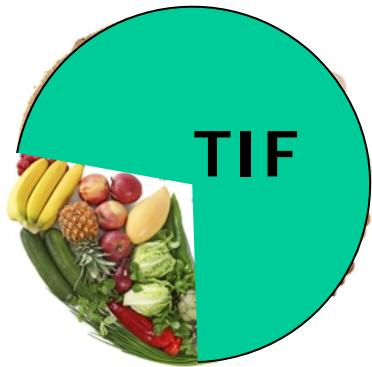
The Case for the Return of TIF

- ***TIF does not equal RDA!*** 47 States & DC have usable TIF statutes, not CA
- CA has 3rd highest unemployment in nation - 1.7 million out of work
- Private investment that yields new jobs is essential to local & State recovery
- Yet... available Economic Development “Hand Tools” are too anemic to induce major private investment
- Approx. 320,000 jobs = approx. \$1B in new State annual revenue*
 - *85¢ of each \$1 in State General Fund revenues derived from Income and Sales taxes
- Public infrastructure projects via expanded IFDs will *not* fix unemployment
- 8 New TIF bills are proposed in 2013: 3 revisit RDAs, 4 modify IFDs, one ties TIF to job creation
- Can new 2/3rd Democratic majority in State Legislature find a bill that restores TIF that the Governor can support? Probably not this year.

Multiple TIF Bills Introduced In 2013

AB 1080 (Alejo)	New form of Redevelopment Designed to serve disadvantaged areas	R D A
SB 1 (Steinberg)	Create Sustainable Communities Authority Reintroduction of last year's SB1156	R D A
AB 243 (Dickinson)	Infrastructure Financing District reform (IFD) Similar to AB2144	
AB 229 (Perez)	IFD Reform Military Base Reuse Authorities	I F D
AB 294 (Holden)	IFD Reform using State Infrastructure Banks Also uses school share of property tax	I F D
SB 33 (Wolk)	IFD Reform-removes vote threshold/other fixes	
AB 662 (Atkins)	IFD Reform-includes former RDA project areas	
AB 690 (Campos)	California Jobs Act Uses TIF for Job Creation (Jobs & Educ. Districts) <i>"Unemployment is the New Blight"</i>	J O B S

TIF – Part of a Healthy Economic Diet



Without TIF, California cannot compete effectively; State already branded as expensive, with taxes going up

- California voted by CEOs as least business friendly state
- Without Redevelopment, California...
 - has NO tax increment financing tool
 - Has NO authority to contract with private entities for real estate projects and/or business expansion
- Without TIF, California...
 - has NO consistent way to do economic development
 - has NO way to fuel private sector job growth to fight high unemployment

TIF Mechanism is Needed to Incentivize Public-Private Projects that Generate New Taxes and Jobs

PMPs...the Last RDA Econ. Dev. Tool?

- **Property Management Plans (PMPs) will govern property sales of over 400 Successor Agencies**
- **Disposition of former RDA properties will result in one-time liquidation of over 5,000 properties! Unprecedented event in CA**
- **PMPs offer a near-term opportunity for Successor Agencies and their Cities – it's not just another required report**
- **Economic Development opportunities can materialize by strategically managing assets in the PMP**
- **California cities and former RDAs have decades of expertise in buying commercial properties, but little history selling properties**

***BE STRATEGIC ABOUT PMPS—LOOK FOR “A” PROPERTIES AND
CONVERT TO ECONOMIC DEVELOPMENT (JOBS & TAXES)***

Audience Questions

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Upcoming Webcasts

CDFA – BNY Mellon Development Finance Webcast Series
Tuesday, June 18, 2013 @ 1:00pm Eastern

CDFA – BNY Mellon Development Finance Webcast Series
Tuesday, July 16, 2013 @ 1:00pm Eastern

CDFA-Stifel Nicolaus Innovative Deal Webcast Series
Thursday, August 8, 2013 @ 10:30am Eastern – Live from the National Summit

CDFA-Stern Brothers Renewable Energy Finance Webcast Series
Thursday, August 8, 2013 @ 1:45pm Eastern – Live from the National Summit



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