

## NEW MARKETS TAX CREDIT PROGRAM GUIDELINES

### PROJECT METRICS

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."

- ▲ \$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. NMTC can be used 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.

### NMTC CENSUS TRACT CRITERIA

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

Meet one of four criteria:

- ▲ Poverty rates greater than 30%;
- ▲ Median family income of 60% or less of Area Median Family Income;
- ▲ Unemployment rates at least 1.5 times the national average;
- ▲ Located in a non-metropolitan census tract (extremely rural).

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 average;
- ▲ 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 Native American redevelopment areas;
- ▲ Federally-designated medically underserved areas where NMTC loan will support health-related services;
- ▲ State or local tax-increment financing districts, including Enterprise Zones;
- ▲ Counties for which FEMA has issued a major disaster declaration within 24 months;
- ▲ Businesses certified by the Dept. of Commerce as eligible for assistance under the TAA Program;
- ▲ 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 a 2-loan A/B structure. 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.
- ▲ The loans are often interest only, with no prepayments allowed for 7 years. If not interest only, longer amortization periods (up to 30 years) are available for the loans.

### NMTC ADVANTAGES

- ▲ The effective rates in the NMTC structure are typically below market for commercial loans of this type.
- ▲ As a result of the longer amortization or interest only payments and typically lower rates, monthly payments are lower than for similar size conventional loans.
- ▲ The "B" loan is often treated as up-front substitute for a portion of equity required by lenders, resulting in higher effective loan-to-value ratios.
- ▲ The 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.

### NMTC CHALLENGES

- ▲ Whether longer amortization or interest-only payments, there is a balloon payment requirement at the 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.

For additional information, please contact a member of our Lending Team.

**Nelson Black**  
Director of Lending  
nblack@fclf.org  
813.223.7400

**Susan Holtrey**  
Loan Portfolio Administrator  
sholtrey@fclf.org  
407.246.0846

## New Markets Tax Credit Program

The New Markets Tax Credit (NMTC) Program was created by Congress in 2000 to encourage the flow of private investments into very low-income communities. NMTC delivered over \$55 billion in capital between 2003 and 2011, creating or retaining over 350,000 jobs. These investments are in some of the nation's most underserved communities, providing low-income residents with access to quality education, health care, job training, and critical retail services.

FCLF has secured a total of \$151 million in NMTC allocation, and continues to be the only Florida-based recipient with a significant track record in sourcing and closing NMTC transactions. FCLF's NMTC Program is dedicated to improving low-income communities through projects with a broad social impact.



### FCLF NMTC Program

- ▶ 10 Projects to date, including 3 charter schools, 2 health related facilities, 2 homeless service organizations, 3 Green projects
- ▶ 915,000 square feet of facilities
- ▶ 1200 temporary jobs created or retained
- ▶ 689 permanent jobs created or retained

### Does NMTC fit your Project?

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

*Pictured, Metropolitan Ministries Miracle Place, Tampa*



# Florida Community Loan Fund NMTC Projects



**ASPIRA OF FLORIDA  
MIAMI**

ASPIRA of Florida is a non-profit 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 60,000 square foot 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

**State NMTCs:**

Stonehenge Capital

[www.aspirafi.org](http://www.aspirafi.org)

**2 PROJECTS**  
TOTAL \$15.8 million  
FCLF NMTC ALLOCATION \$17.1 million



**WEXFORD SCIENCE +  
TECHNOLOGY, MIAMI**

Wexford Science + Technology is developing the UM Life Science Research Park to provide opportunities to foster the development of life sciences, technology, and biotechnology innovations. This 250,000 sf complex, adjacent to the University of Miami, will include a research lab and a business incubator for emerging businesses affiliated with life sciences.

FCLF's NMTC allocation was used to help attract additional NMTC and conventional funding for pre-development and construction of Phase I of the park. During construction from 2009 to 2011, over 300 construction jobs were created. Thirty-five companies will occupy the facility which will upon completion create or retain over 700 permanent jobs, as well as participate in supporting a work force training program for area residents and university graduates. The businesses also cooperate with schools to foster interest in life science careers and jobs, through tours of the facility.

**Investor:**

U.S. Bancorp Community Development Corporation

**Lenders:**

M&T Bank, Townsend Capital, and others

**Additional NMTCs:**

Urban Research Park

[www.umfsp.com](http://www.umfsp.com)

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



**KIPP SCHOOL  
JACKSONVILLE**

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 an average of 85% 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 have created 70 permanent jobs and serve up to 1,200 students.

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

[www.kippjax.org](http://www.kippjax.org)

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



**SOLAR SINK  
TALLAHASSEE**

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 has provided 50 temporary and 20 permanent jobs. As the technology is brought to market, it is anticipated that up to 135 additional jobs will be created.

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

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



**LAKE POINT RESTORATION  
MARTIN COUNTY**

Lake Point is the first-of-its-kind, innovative public-private partnership intended to bring significant, unprecedented long-term job creation and profound community impact by promoting Everglades conservation, improving water quality for natural habitats and creating a model for future symbiotic public land donations. The South Florida Water Mgmt. District helped design a plan for this 2000+ acre wetland and water storage/treatment area to pump purified water into and out of Lake Okeechobee and Waterway to provide clean water for various natural, often endangered, habitats, including the Everglades. In the short term, the project will also provide essential limestone raw materials for local infrastructure and conservation projects, as part of a key, highly-visible federal Everglades program.

Jobs and the environment are the focus at Lake Point in this highly distressed area of Martin County. In addition to 35 permanent jobs onsite, the operation will require goods and services from other companies further stimulating employment in the local area.

**Investor:**

U.S. Bancorp Community Development Corporation

**Lenders:**

JPMorgan Chase, The Lindemann Family

[www.lakepointrestoration.com](http://www.lakepointrestoration.com)

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



**CAMILLUS HOUSE  
MIAMI**

Camillus House has provided services to homeless and at-risk clients in Miami-Dade for 50 years through 12 locations. The organization is relocating to the Norwegian Cruise Line Campus of Camillus House consisting of 7 buildings (3 of which are funded through the NMTC Program) and will expand existing programs which include temporary and transitional housing, job readiness, meals, and mental health services. Camillus estimates they will reach over 3,000 clients annually once the new campus is complete.

In addition to creating 100 permanent and 300 temporary jobs and retaining 50 jobs, this project is being constructed on a site that has been empty for years; a vast improvement to the neighborhood. The temporary jobs are in construction, and hiring priority will be given to low-income residents in the vicinity. The Camillus House project is financed through the NMTC Program, with FCLF providing \$20 million in tax credit allocation.

**Investor:**

NorLease, Inc.

**Lender:**

The Northern Trust Company

[www.camillus.org](http://www.camillus.org)

**TOTAL PROJECT**  
\$37.4 million  
FCLF NMTC ALLOCATION \$20 million



**METROPOLITAN MINISTRIES  
TAMPA**

Metropolitan Ministries was formed in 1972, when 13 Tampa area churches came together to meet the need for shelter, nutrition, education and rehabilitation of the homeless. To address increased demand for housing and services, Metropolitan Ministries (MM) will redevelop and expand its campus using the New Markets Tax Credit (NMTC) financing structure.

This multi-faceted project, named Miracle Place, will create 25 new jobs, retain 25 jobs, and 115 temporary construction jobs will be filled with hiring priority given to low-income residents who are clients of its programs. Miracle Place will add 50 new units of transitional housing, a new child care facility for 150 children, a new family counseling center, larger dining facilities, and a renovation of existing emergency housing. It is estimated that Miracle Place will annually serve the emerging, transitional and chronic needs of more than 20,000 persons who are homeless or at-risk of becoming homeless.

**Investors and Lenders:**

JPMorgan Chase, Whitney /Hancock Bank

**Additional NMTCs:**

Whitney CDC

**State NMTCs:**

Enhanced Community Development, LLC

[www.metromin.org](http://www.metromin.org)

**TOTAL PROJECT**  
\$18.9 million  
FCLF NMTC ALLOCATION \$10 million



**QUITMAN TORREFACTION  
QUITMAN, MS**

Torrefaction plants convert forest, sawmill and urban wood residuals and waste into compacted, torrefied wood pellets. The finished product is sold to utility companies in the U.S. and Europe to be co-fired with coal in electric power plants, producing electricity from a clean, renewable resource. New Biomass Energy has developed the country's first torrefaction facility. Torrefied wood is recognized internationally as a source of clean, green energy with long-term carbon neutrality.

The Quitman Torrefaction Plant has been operating since mid 2011 and is in a highly distressed, rural census tract with a 24% poverty rate. In addition to 23 permanent jobs onsite, the operation will require goods and services from other companies further stimulating employment in the local area. The plant works closely with a local junior college to foster education and employment in green energy for graduates, and has committed to provide scholarship funds for area low-income residents.

**Investor:**

U.S. Bancorp Community Development Corporation

**Lender:**

Mississippi Business Finance Corporation

**Additional NMTCs:**

Hope Enterprise Corporation

[www.newbiomass.com](http://www.newbiomass.com)

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



**NEW MANCHESTER FLATS II  
RICHMOND, VA**

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. An average of 140 individuals participate in the PACE program annually. The second 10,000 sf building is mixed-use, including special needs apartments, and opened in Spring 2010. Local community and city officials fully supported this project, as it brought a live-work-play environment to a once bleak industrial area of the city.

PACE is funded through Medicaid and Medicare or private pay for individuals. 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.

**Investor, Lender, Additional NMTCs:**  
Wells Fargo Bank

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

