

Business Opportunities in Community Development Lending



Federal Reserve Bank of Boston

- Convening stakeholders
- Conducting research
- Identifying best practices

To promote sound growth and
financial stability in New England
and the nation

Best Practices

Consensus of the Springfield Meeting

For borrowers

- Work with partners.
- It's never too early to start talking with potential partners.
- Current economic conditions require creativity.
- Balance priorities of various partners.
- Have a business plan, understand your industry and competition and assess near- and long-term obstacles.
- Look at your board composition and governance practices.
- Tap the knowledge of consultants, attorneys, accountants.
- Green projects are attractive.
- Communicate at all stages of the deal.
- Expect to succeed, although the road to financing may be long.

For lenders

- Treat these loans as good business for the bank, not merely a way to satisfy CRA requirements.
- Partnerships with SBA, community development financial institutions and community development entities can provide financing and structure that makes loans bankable.
- Collateral may not be equal to loan value, so management experience is vital.
- Small business owners may need to work with an accountant to substantiate business cash flow.
- Encourage business owners to hire experienced attorneys, accountants and advisors.



NUVO

BANK & TRUST COMPANY

Bank Responsibly

**Local Bank.
Local Money.
Local Decisions.**



Experienced Small Business Commercial Lenders for a wide variety of transactions; Commercial & Industrial businesses, Investment Real Estate, Construction Loans and Participations. We work with other banks, the SBA, USDA, Development Companies, Alternative Lenders, and Quasi Publics.

We're a Bank Built for Small Businesses



CDARS

Common Capital Loan Program Overview

- Service area includes Berkshire, Hampshire, Hampden, Franklin and northern Worcester Counties
- Common Capital is a community loan fund that provides project financing and business advisory services
- Provide primarily business financing but will consider non-profits and community projects
- Current Loan Portfolio of \$2.5 million
- Loan sizes: \$500 - \$300,000 Avg. Loan Term: 5 years



Common  **Capital**

LOCAL INVESTMENT SHARED FUTURE

Common Capital

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Who We Are

Common Capital is a private nonprofit Community Development Financial Institution working to strengthen communities by creating economic opportunities in Hampden, Hampshire, Franklin, and Berkshire Counties in western Massachusetts, and northern Worcester County in central Massachusetts.

What We Do

- **Provide direct business loans, up to \$300,000** - Common Capital is committed to making loans to businesses and organizations within our service area which do not have access to sufficient capital through traditional channels. In keeping with our mission, Common Capital lending targets job retention, job creation, local impact, neighborhood rejuvenation and environmental sustainability.
- **Provide business mentoring and support** - Through our network of providers and partners, local businesses and entrepreneurs have access to technical assistance that can increase their potential for success. Technical assistance covers a wide range of services, including developing strong business plans and marketing strategies, exploring financing options, and assisting with basic business functions such as human resource management, accounting and legal services.
- **Work with business and community organizations to increase access to capital** - We work closely with an array of partners, dedicated to a strong local economy, to identify challenges faced by local small businesses and to bring effective solutions to bear. These partners include: banks, economic development agencies, community development corporations, chambers of commerce, Federal, State and local agencies, legislative resources, private investors, business owners, and others.

Minimum Loan Requirements for Applicants

- A comprehensive business plan, including a market study and financial information; if you have been in business for more than two years, background information on your company is sufficient.
- Experienced management in related industry.
- Minimum personal credit score of 600; no bankruptcy or foreclosure in the past 12 months; no past due debt without a reasonable explanation.
- Cash equity injection of 20% for soft costs and permanent working capital; 50% for leaseholds. We will consider up to 100% financing for hard assets.
- Collateral to secure the debt.
- Personal guarantees or qualified co-signer.
- Sufficient cash flow to support loan payment; if business is not yet profitable, then the Borrower must have external income that is fully able to support the loan.

Interest Terms, Rates and Fees

- Loan terms can be up to 7 years; balloon payments are discouraged.
- Interest rates can be fixed or variable. The amount of the rate is based in the credit risk and typically ranges from 8.0% to 12.0%.
- A \$100 non-refundable application is required; a minimum 1% commitment fee is charged for all loans and is based on the committed amount; closing fees may include appraisal fees, filing fees, legal fees, etc.

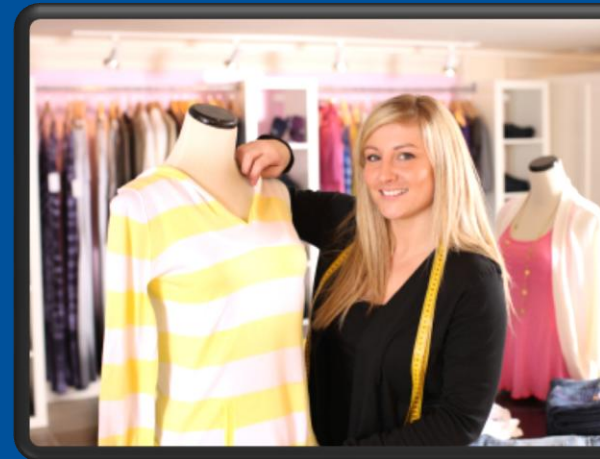
For More Information

- Go to www.common-capital.org.
- Or, call 413-420-0183 (x100) to speak with our Loan Services Administrator who will describe the loan application process, and mail you a loan application package.

Contact Info: Kimberly Gaughan - Loan Service Administrator, kgaughan@common-capital.org

Common Capital is an equal opportunity employer and provider.

The products, resources and experience it takes to make business success possible.



 PeoplesBank

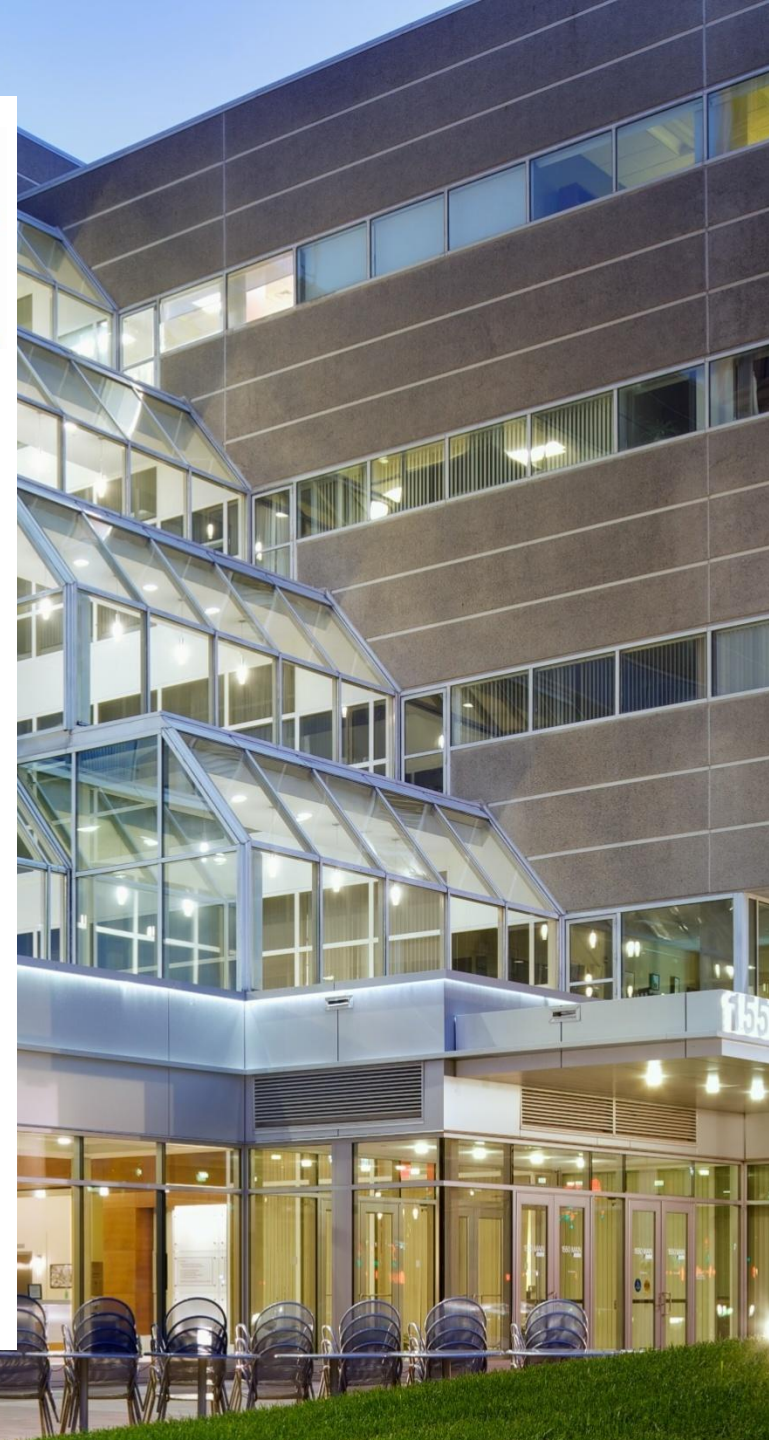
A passion for what is **possible**SM



MASSDEVELOPMENT

Build. Create. Innovate.

- The state's finance and development agency
- Works with businesses, nonprofits, financial institutions, and communities to stimulate economic growth across the Commonwealth
- During FY2011, financed or managed 277 projects generating investment of nearly \$3.7 billion in the Massachusetts economy
- These projects are projected to create 10,291 jobs (2,507 permanent and 7,784 construction) and 1,350 housing units (336 new and 1,014 rehab)



Children's Investment Fund



Nonprofit facilities finance organization

- Works statewide in Massachusetts
- Focus is nonprofit providers:
 - ✓ Early Childhood Education
 - ✓ Out of School Time Programs
- Provides technical assistance, training, grants, loans, project management



- 475 projects since 1991
- \$29.3 million in grants and loans
- \$46.7 million leveraged
- 22,000 slots created or improved
- 86% of slots serve children on subsidy



Mutual Housing Association of Greater Hartford

An on-going producer, owner and manager of affordable, well-built, permanent housing for Greater Hartford residents of varied incomes

Programs

- Ready to rent
- Homebuyer education
- Real estate development
- Property management
- Mutual Housing Leadership Academy





Mutual Housing Association of Greater Hartford

PARK TERRACE II MUTUAL HOUSING

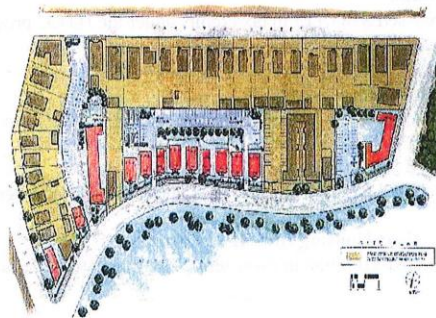


The Park Terrace II Mutual Housing development represents a true partnership of the private, public and not-for profit sectors. The development entailed the acquisition of 19 parcels including 14 buildings and 5 vacant lots along Park Terrace in Hartford's Frog Hollow neighborhood.

The predominant building type is known as the "Perfect Six" which was built at the turn of the century and housed many of the factory workers during Hartford's manufacturing heyday. In recent years, the apartments fell into disrepair and the small, 2 bedroom railroad flat no longer met the needs of the modern family. Many of the buildings had no off-street parking and the majority of the properties on the block were tax delinquent or bank-owned.

While demolition is one possible vehicle for neighborhood revitalization, it was clear that demolition of these architectural treasures would destroy the character of this majestic street. Through the co-operation of the City of

Hartford, the State of Connecticut, Neighborhood Reinvestment Corporation, Fannie Mae and the Local Initiatives Support C



Once the properties were acquired, the challenge then was to raise the \$14 million in construction and permanent financing to complete the development. The addition of funds from the Connecticut Housing Finance Authority, the Connecticut Department of Economic and Community Development, the National Equity Fund, the Federal Home Loan Bank of Boston, the U.S. Department of HUD and a construction loan from Webster Bank enabled us to begin construction.

Mutual Housing worked closely with the Connecticut Historic Commission to retain or recreate much of the original historic detail of the properties. The resulting development downsized 108 small apartments into 68 spacious homes, provided permanently affordable, family housing, returned the properties to the City's tax rolls and preserved a piece of Hartford's history.

SUMMARY

No. of Apartments	4 One Bedroom Flats
	31 Two Bedroom Flats
	30 Three Bedroom Flats
Housing Charges	\$380 for a One Bedroom
	\$525 for a Two Bedroom
	\$590 to \$650 for a Three Bedroom
Maximum Income	58 units at 50% of Median Income or \$36,500
Guidelines	10 units at 60% of Median Income or \$43,800



Mutual Housing Association of Greater Hartford

PARK TERRACE II PROJECT PARTNERS

Park Terrace II Mutual Housing is truly a public-private partnership. Following is a list of the participants in this development:

State of Connecticut Dept of Economic and Community Development

- Awarded State HOME funds in the amount of \$2.8 million

Connecticut Housing Finance Authority

- Awarded Low Income Housing Tax Credits, enabling us to raise \$ 8.2 million in equity
- Awarded tax credits under the Housing Tax Credit Contribution Program in the amount of \$358,115

City of Hartford

- Facilitated the acquisition through discounted tax liens and sale of City-owned property
- Allocated City HOME funds in the amount of \$809,728
- Allocated Lead Paint Program funds in the amount of \$340,000

Webster Bank

- Provided \$6.6 million in construction financing
- Sponsored the application for the Federal Home Loan Bank of Boston's Affordable Housing Program

Federal Home Loan Bank of Boston

- Awarded \$250,000 Affordable Housing Program Grant and a \$250,000 Mortgage Subsidy Grant

U.S. Department of Housing and Urban Development

- Funded the HOME and Lead Paint Programs

State of Connecticut Historic Commission

- Oversaw and approved the application for federal Historic Tax Credits which provided \$1.1 million in equity

U.S. Department of Interior

- Approved Historic Tax Credit application resulting in \$1.1 million in additional equity

Neighborhood Reinvestment Corporation

- Provided \$270,000 in predevelopment grants

Local Initiatives Support Corporation

- Provided low-interest predevelopment loans to acquire the parcels and complete the project design in the amount of \$932,250
- Provided \$747,250 in construction financing

National Equity Fund

- Purchased the Low Income Housing and Historic Tax Credits as a Limited Partner in the development providing \$9.3 million in equity

Fannie Mae

- Provided \$15,000 predevelopment grant
- Provided \$150,000 low interest predevelopment
- Sole Investor in National Equity Purchase

Fleet Bank

- Purchased \$183,115 in tax credits under the HTCC program
- Provided a \$75,000 line of credit

JPMorgan Chase Bank

- Purchased \$100,000 in tax credits under the HTCC program

Hartford Steam Boiler

- Purchased \$75,000 in tax credits under the HTCC program

Connecticut Housing Investment Fund

- Provided \$100,000 in short-term, low-interest bridge funding

Supporting Affordable Housing in New England For More Than 20 Years

- Since 1990, the Bank has committed \$186.5 million of funds in grants and interest-rate subsidies on advances, and \$173.2 million in low-interest loans
- Community Development advances support small businesses capital needs and provide financing for affordable housing or improvements to local roads or schools
- Since 2003, the Bank has also contributed \$14.3 million through the Equity Builder Program, assisting 1,359 homebuyers through its members



Affordable Housing Programs

\$Millions	MA	CT	ME	NH	RI	VT	Total
Community Development Advances							
\$ Approved	\$6,908.0	\$1,883.7	\$1,161.6	\$618.1	\$322.4	\$600.0	\$11,493.8
Business Funds	\$1,324.0	\$616.9	\$733.4	\$226.6	\$17.9	\$367.8	\$3,286.6
Total CDA Housing Units	38,252	9,594	5,165	5,298	2,202	2,678	63,189
Affordable Housing Program							
Direct Subsidy/Grant	\$73.8	\$21.5	\$25.4	\$11.9	\$8.2	\$9.8	\$150.6
Subsidized Advances	\$86.1	\$24.9	\$10.6	\$13.1	\$17.6	\$20.7	\$173.2
Total AHP Subsidy	\$89.0	\$27.5	\$28.3	\$15.0	\$12.1	\$14.5	\$186.5
Total AHP Units	13,020	3,083	2,602	1,342	1,022	1,511	22,580
Equity Builder Program							
\$ Disbursed	\$6.2	\$1.4	\$2.0	\$1.1	\$0.8	\$2.7	\$14.3
Total EBP Units	648	135	192	84	66	234	1,359
Total Housing Units	51,920	12,812	7,959	6,724	3,290	4,423	87,128

Data as of 12/31/10

Federal Reserve Bank of Boston in Springfield

GOAL: To develop strategies that will enable Springfield residents, particularly those in impoverished neighborhoods to participate more fully in the Springfield economy and the revitalization process.

FOCAL AREA	GOALS	RESEARCH	OUTREACH	OUTCOMES
Collaborative Leadership	<ul style="list-style-type: none"> •Achieve sustained cross-sector collaboration •Improve minority inclusion and development of emerging leaders •Obtain support for comprehensive, long-term, inclusive vision 	Lessons from Resurgent Cities	<ul style="list-style-type: none"> •Presented findings •Proposed creation of Emerging Leaders Program •Coordinated City-to-City (C2C) trip to NC •Provided recommendations for next C2C trip 	<ul style="list-style-type: none"> •Engaged 40 leaders during C2C •Emerging Leaders Program launched in fall of 2011 •Currently planning second C2C trip •Formed a cohort of diverse leaders that support vision process •A new group of Latino Leaders has been created to address needs
Latino Small Businesses	<ul style="list-style-type: none"> •To draw attention to the needs of Latino entrepreneurs and barriers affecting business formation and growth •To increase collaboration among technical assistant providers and move stakeholders to implement solutions 	<ul style="list-style-type: none"> •Latino Entrepreneurship in Springfield (discussion paper) •Providence Latino Small Businesses (C&B article) 	<ul style="list-style-type: none"> •Presented findings both in Springfield and Prov (Mayor, city staff, lenders, and TA providers) •Conducted media interviews •Encouraged ACCION to start program in Springfield •Participated in PR delegation •Joined a working group to revive regional Small Business Strategy 	<ul style="list-style-type: none"> •Report was well-received and embraced by key stakeholders •Received coverage by local media, including an NPR story •Regional group is actively thinking about how to incorporate the minority perspective into their activities. Potential to address barriers identified in our report
Workforce Development	<p>To understand</p> <ul style="list-style-type: none"> •<i>Why are so few residents of the downtown area employed?</i> •<i>What resources are available to help residents overcome barriers to employment?</i> •<i>How do employers experience Springfield's labor market?</i> 	<ul style="list-style-type: none"> •Barriers to Employment (employee perspective) •Causes of Low Resident Employment Rates •Employment Challenges (employer perspective) •Jobs for people without a college education 	Disseminated reports to relevant stakeholders.	<ul style="list-style-type: none"> •Reports have informed the Regional Employment Board of Hamden County strategic planning process •Findings and recommendations have been cited and used in grant proposals, for example, to the US EDA •Attending national conference on WD with Springfield contingent
Colleges & Community Partnerships	<ul style="list-style-type: none"> •To motivate and equip the institutions of higher learning in the greater Springfield area to deepen their economic development efforts in the city 	<ul style="list-style-type: none"> •Conducting interviews to identify what colleges and universities are doing; key areas where they may be interested in deepening and broadening their efforts; and identify key decision makers 	<ul style="list-style-type: none"> •Have conducted interviews and developed close relationships with key higher education institutions •Planning a meeting for the fall of 2011 	<ul style="list-style-type: none"> •Identified champion for increased involvement of colleges •Identified potential topics of interest to the colleges