

Affordable Housing

Solving The Last Mile



Danville Housing Demand



Deficit of 606 homes currently and future demand is 234



Deficit of 760 apartments currently and future demand is 1536

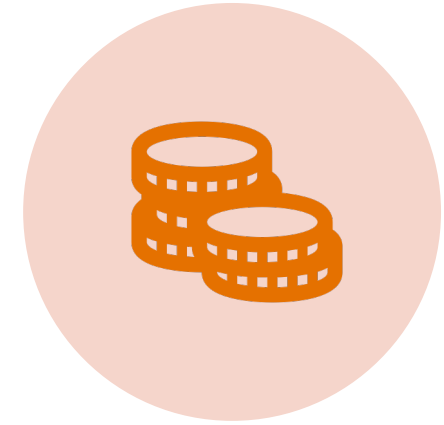
The Current Solutions



LOW INCOME HOUSING
TAX CREDITS



GRANTS



LAND DONATIONS



The Math

Average	Average Cost to Build a House in Virginia: It costs about \$155 per square foot
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Average	Average home size in VA = 2,105SQFT
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Average	Average new home price = \$326,275
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1. Income @ 80% of AMI = \$33,850
2. Affordable Monthly rent = ~846.25
3. Total Mortgage = ~\$102,000

Affordability Gab = ~224,275



Now What? The 50-50-20



- ▶ Reduce footprint to < 1,000 SQFT
- ▶ Leverage 20% federal NMTC subsidy
- ▶ Reduce rate by 50%
- ▶ Average home = 124,000
- ▶ Affordability = \$143,086

Active Participants



HOUSING
PARTNERSHIP
NETWORK





New Markets Tax Credits



Project Impact

15-20%

NMTC proceeds provide gap financing for up to **15-20% of project costs**

80-85%

Paired (or leveraged) with owner equity, borrowed funds, or other grant/public funds (80-85%)



Project benefits include flexible terms, such as:

- Subordination to other lenders
- Low interest rate
- Interest-only terms for seven years
- A portion of the NMTC investment may not have to be repaid

Project Funding



Project Financing Team



Janée Fenter



Joe Hennessee



Trevor Nelson

Cherry Bekaert Strategic Financing Solutions

Strategic Financing Solutions

CB-SFS helps organizations throughout the US to access and manage NMTC capital through the following services:

- **+\$1.3 billion** NMTC Allocation Applications
- **\$1.7 billion** NMTC Placement and Deployment and **\$3.1 billion TPC**
- **\$700 million** NMTC Compliance and Asset Management

Strategic Financing Solutions Supported

- **98** investments from Alaska to Florida
- **27,665** direct jobs
- **655,450** people supported through community services (low-income persons and low-income community residents)
- **10.5 million** square feet real estate constructed or improved





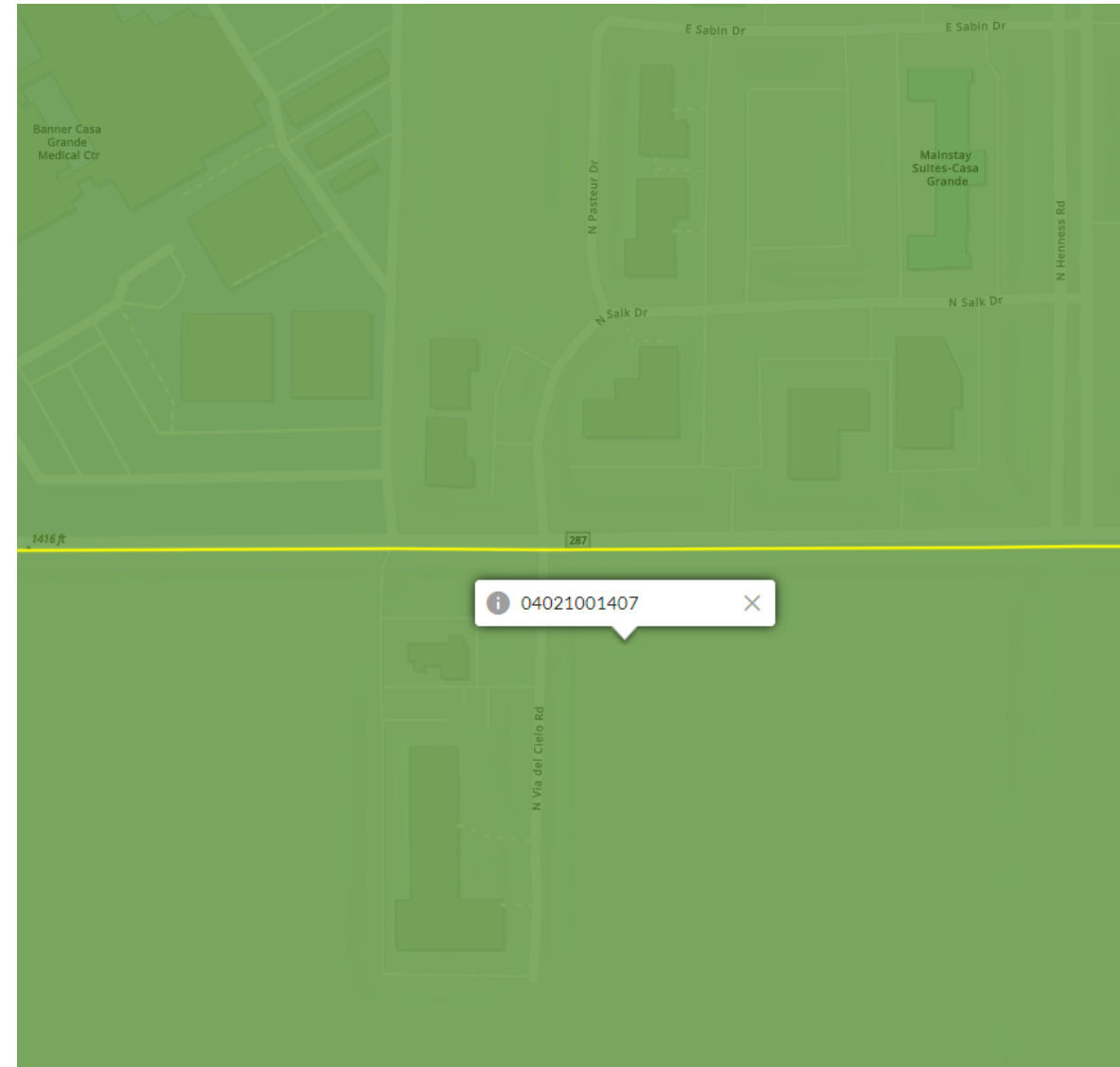
New Markets Tax Credits Program

- ▶ Enacted as a part of the Community Renewal Tax Relief Act of 2000
- ▶ Program administered jointly by the CDFI Fund and IRS to attract capital to low-income communities from private investors
- ▶ NMTC Extension Act of 2019 – Congress provided a five-year, \$5 billion extension through 2025

Qualifying Locations

What is a Low-Income Community?

- ▶ Based on 2015 census tract data
 - Poverty > 20%
 - Median Family Income < 80%
- ▶ Qualifying vs. High Distress
 - Primary: Meet one of the following:
 - ▷ Poverty > 30%
 - ▷ Median Family Income < 60%
 - ▷ Unemployment 1.5x national average
 - ▷ Non-Metropolitan County
 - Secondary: Meet any two of a list of other characteristics

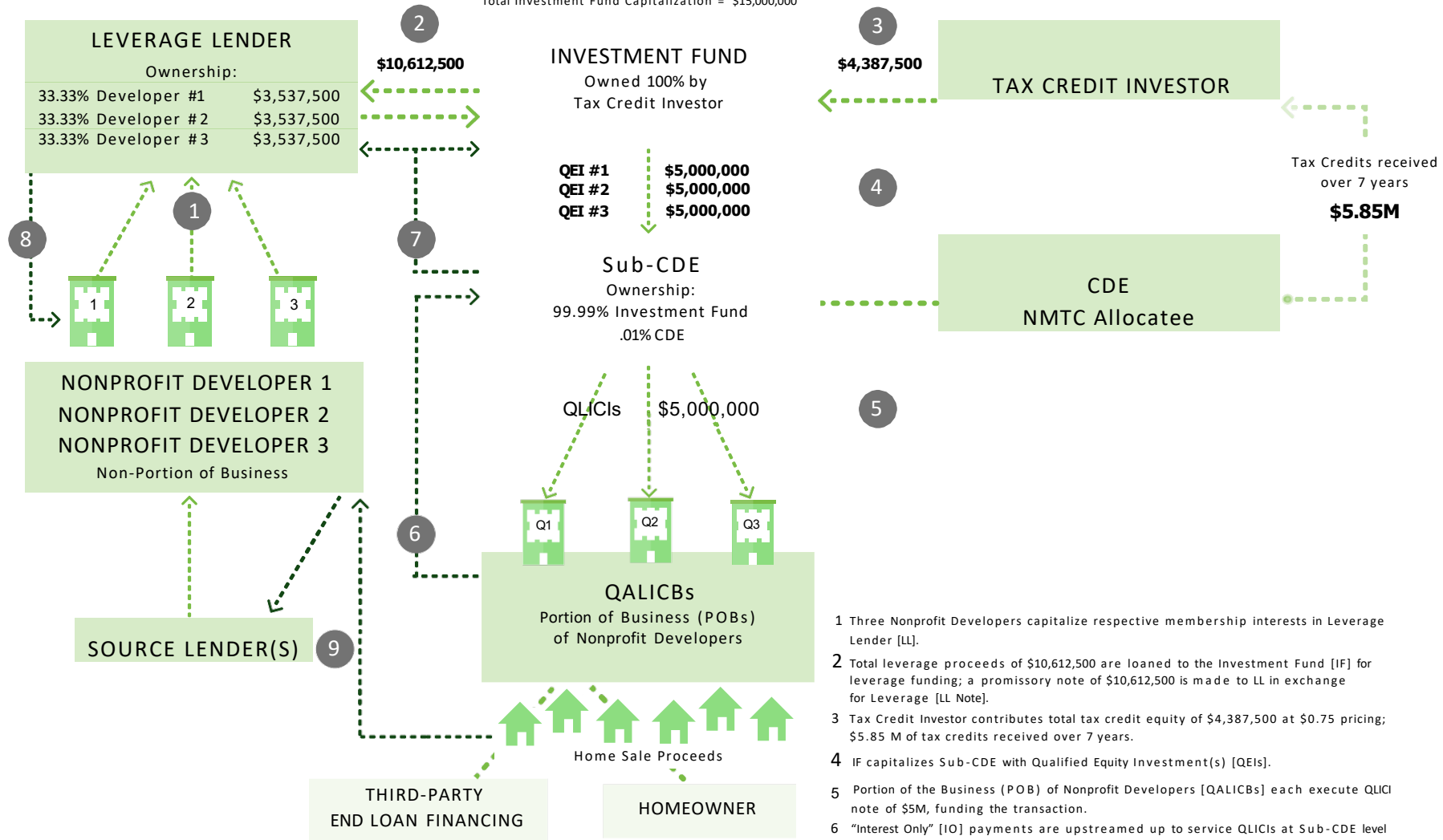


MODEL: NMTC Affordable For-Sale Housing

Multi-QALICB

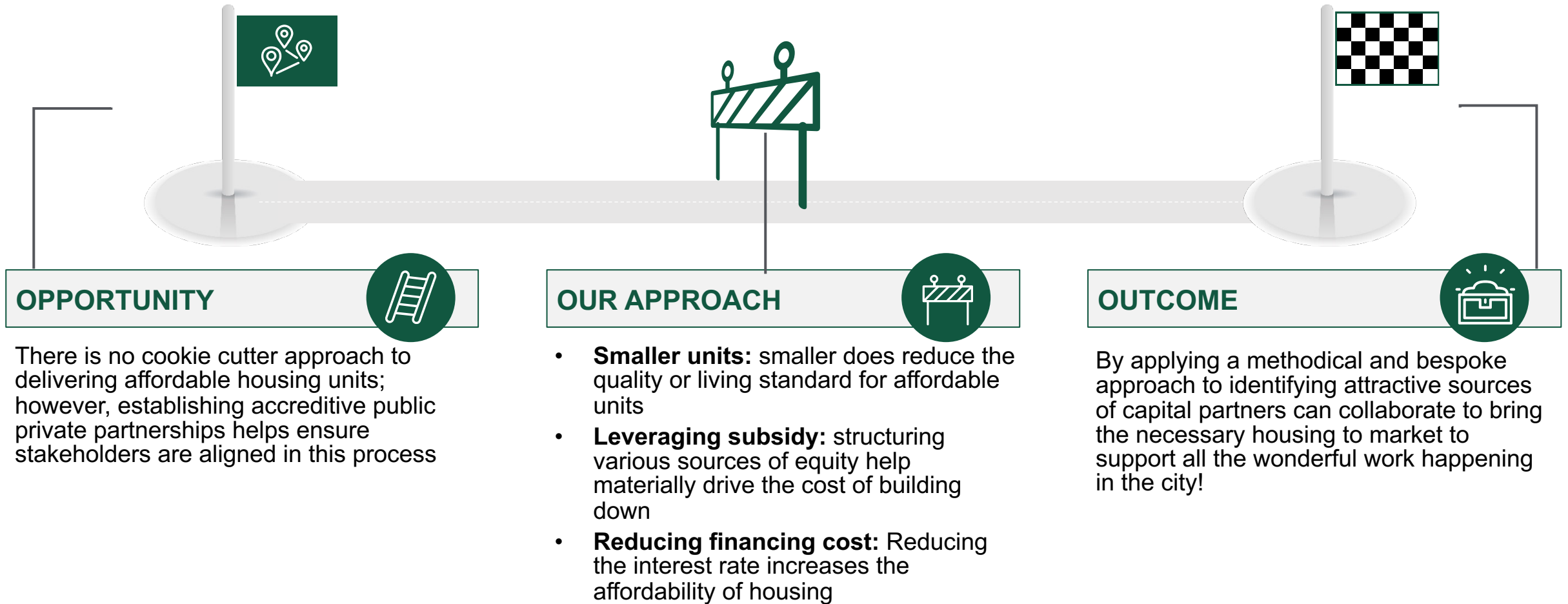
\$15,000,000 NMTC Transaction (\$0.75 pricing)

Total Investment Fund Capitalization = \$15,000,000



- 1 Three Nonprofit Developers capitalize respective membership interests in Leverage Lender [LL].
- 2 Total leverage proceeds of \$10,612,500 are loaned to the Investment Fund [IF] for leverage funding; a promissory note of \$10,612,500 is made to LL in exchange for Leverage [LL Note].
- 3 Tax Credit Investor contributes total tax credit equity of \$4,387,500 at \$0.75 pricing; \$5.85 M of tax credits received over 7 years.
- 4 IF capitalizes Sub-CDE with Qualified Equity Investment(s) [QEIs].
- 5 Portion of the Business (POB) of Nonprofit Developers [QALICBs] each execute QLIC note of \$5M, funding the transaction.
- 6 “Interest Only” [IO] payments are upstreamed up to service QLICs at Sub-CDE level and then LL Note at IF level.
- 7 Sub-CDE makes distribution to IF to pay the LL Note; IF pays debt service on LL Promissory Note to LL.
- 8 LL makes distribution of IO to membership interests.
- 9 Upon sale of homes, revenue is received by POBs which then make a distribution to non-POBs. Non-POBs pay down source loan, if any, outside of structure.

The Path Forward



Questions

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How Does the Program Work?

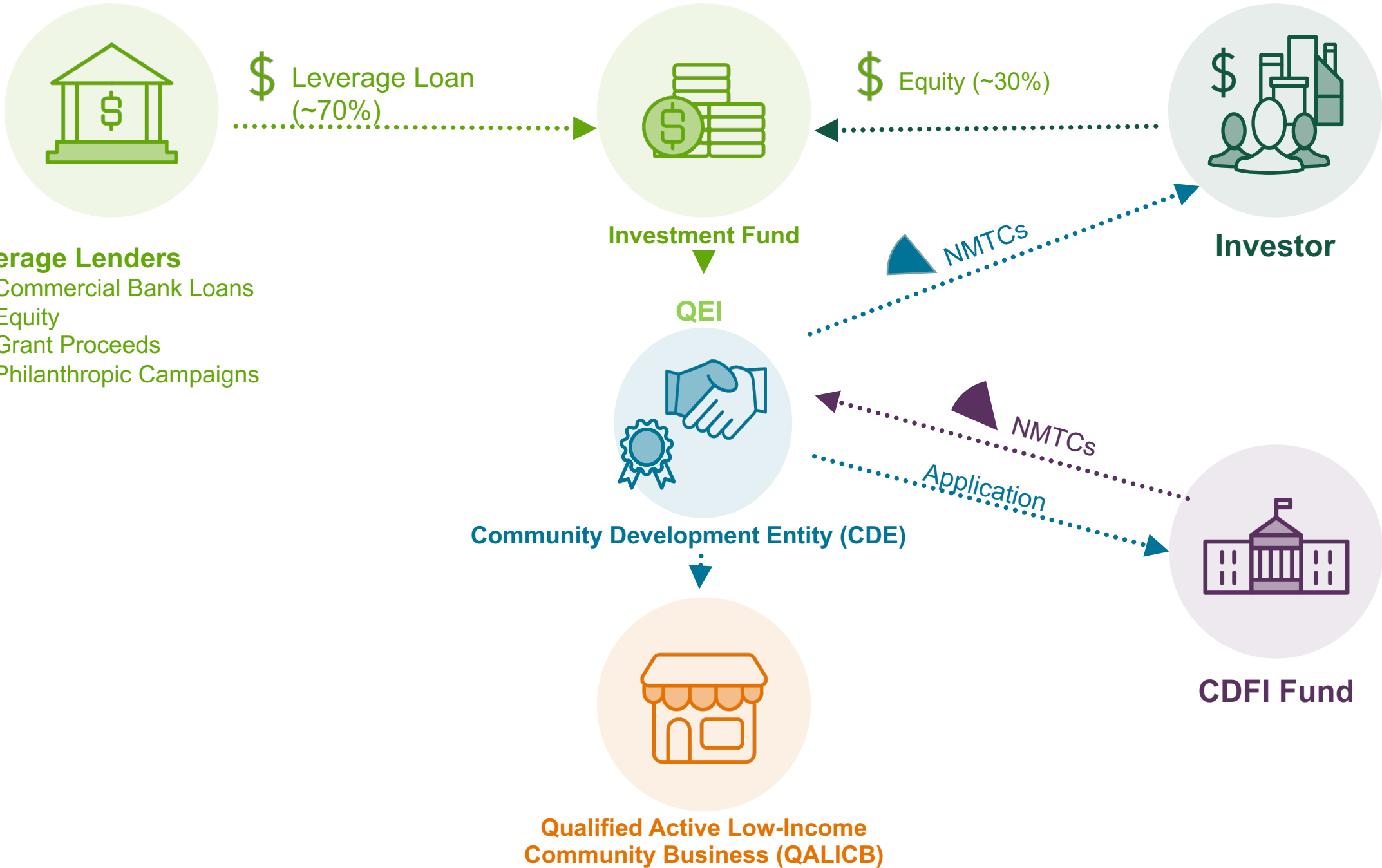
Through a competitive process, CDEs are delegated NMTC allocation authority from the CDFI Fund.

CDEs search for qualifying businesses and real estate developments to provide NMTC-subsidized financing, which is also a very competitive process.

CDEs use NMTC allocation authority to attract third party investors and lenders to provide capital to qualifying projects in exchange for the federal tax credits.

The proceeds are used to fund qualifying projects. Typically, these proceeds are structured as low interest rate, convertible loans.





Leverage Lenders

- Commercial Bank Loans
- Equity
- Grant Proceeds
- Philanthropic Campaigns

**Qualified Active Low-Income
Community Business (QALICB)**



Benefits of New Markets Tax Credits

- ▶ NMTCs provide a credit against Investors' tax liability for making Qualified Equity Investments (QEI) in CDE
 - 39% of the QEI is received as a tax credit over seven years
- ▶ Flexible and affordable financing to support businesses
- ▶ Community benefits
 - Job Creation
 - Access to Community Facilities
 - Commercial goods and services





Leverage Loan
Amount **\$6,841,000**

Leverage Lenders

- Commercial Bank Loans
- Equity
- Grant Proceeds
- Fundraising



Investment Fund

Investor pays \$0.81
for the credits
\$3,159,000 Equity



Investor

Most frequently a bank like Truist, US Bank, Capital One, Chase, etc.

Qualified Equity Investment



Sub-CDE

Transaction Costs
≈\$1MM

\$6,841,000
A Loan

\$3,159,000
B Loan



\$10MM QEI x 39%=
\$3.9MM NMTCS

\$10,000,000
Allocation



CDE



The Math...One More Time

NMTC Allocation	\$10,000,000
NMTC Rate	39%
Tax Credits	\$3,900,000
Investor Monetization (estimated \$0.81 per credit example)	\$3,159,000
(Less) Estimated Closing Costs & Fees	(\$1,000,000)
Estimated Net NMTC Cash to the Project	\$2,159,000



Do you have a QALICB?

- ▶ Qualified Active Low-Income Community Business (QALICB)
 - Corporation (including a nonprofit corporation) or partnership
 - ▷ Income
 - ▷ Location
 - ▷ Services
 - ▷ < 5% of assets as collectibles or NQFP
 - Some projects types are prohibited



What is a NMTC Project?



What Makes a Good NMTC Project?

Qualification and determination of the extent of subsidy based on several criteria:



Census Tract

Must be in a NMTC qualified census tract and in an area of high distress



Community Impact

Must demonstrate a significant quantifiable community impact (e.g., quality jobs, increased community services, etc.)



But-For

Must demonstrate a need for subsidized funds to bring community impacts to fruition (i.e., non-bankable gap financing, capital constraints)



Timing

Project needs to be fully sourced and ready to go before NMTC funding is committed

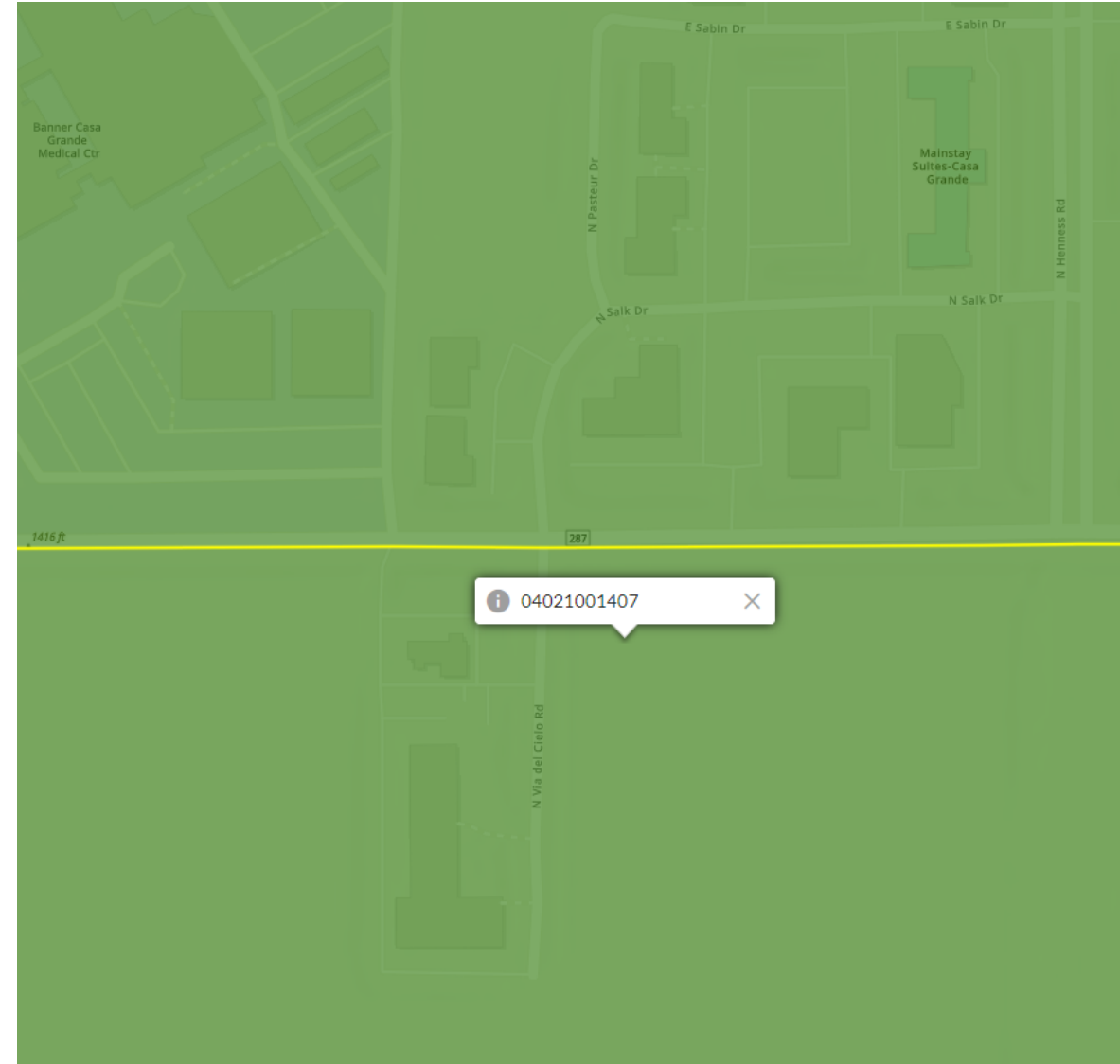
- Other sources of funds are committed (e.g., borrower equity, bank debt, etc.)
- Approvals in place



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Targeted Geographies

CDEs are incentivized to invest in projects located within two targeted geographies

Non-Metropolitan

Census tracts located in counties not contained in a Metropolitan Statistical Area (MSA)

Underserved States - 2023

Arizona

California

Colorado

Florida

Kansas

Nevada

North Carolina

Texas

Virginia

West Virginia



NMTC Targeted Impacts

Job Creation (100 jobs per \$10m)

Community Services (5,000 people served per \$10m)



Industrial Manufacturing

- Workforce training initiatives and living wages



Real Estate & Construction

- Grocery-anchored retail (access to healthy foods)
- Office space affordable to locally-owned small businesses and/or non-profits



Government Facilities

- Charter schools, primary/secondary schools, community college
- Workforce development facilities
- Financial education



Healthcare and Life Sciences

- Hospitals
- Health clinics



Not-for-Profits

- Early childcare facilities
- YMCAs and other similar facilities
- Food banks

Business Loans (Operating Businesses, Machinery & Equipment) or Commercial Real Estate (CRE) Developments

Project Size > \$5 million



What Makes an Ideal NMTC Project?

