



Understanding and Utilizing New Markets Tax Credits in Your Business

August 12, 2014

Joe & Vi
Jacobs Center
Community
Room

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About Civic San Diego

- Civic San Diego is a city-owned non-profit that is the entrepreneurial development partner for targeted urban neighborhoods in San Diego (consolidation of the City's former redevelopment agencies)
- We manage the wind down of redevelopment activities and also engage in economic development, land use permitting and services, and project management services

About the Economic Growth and Neighborhood Investment Fund

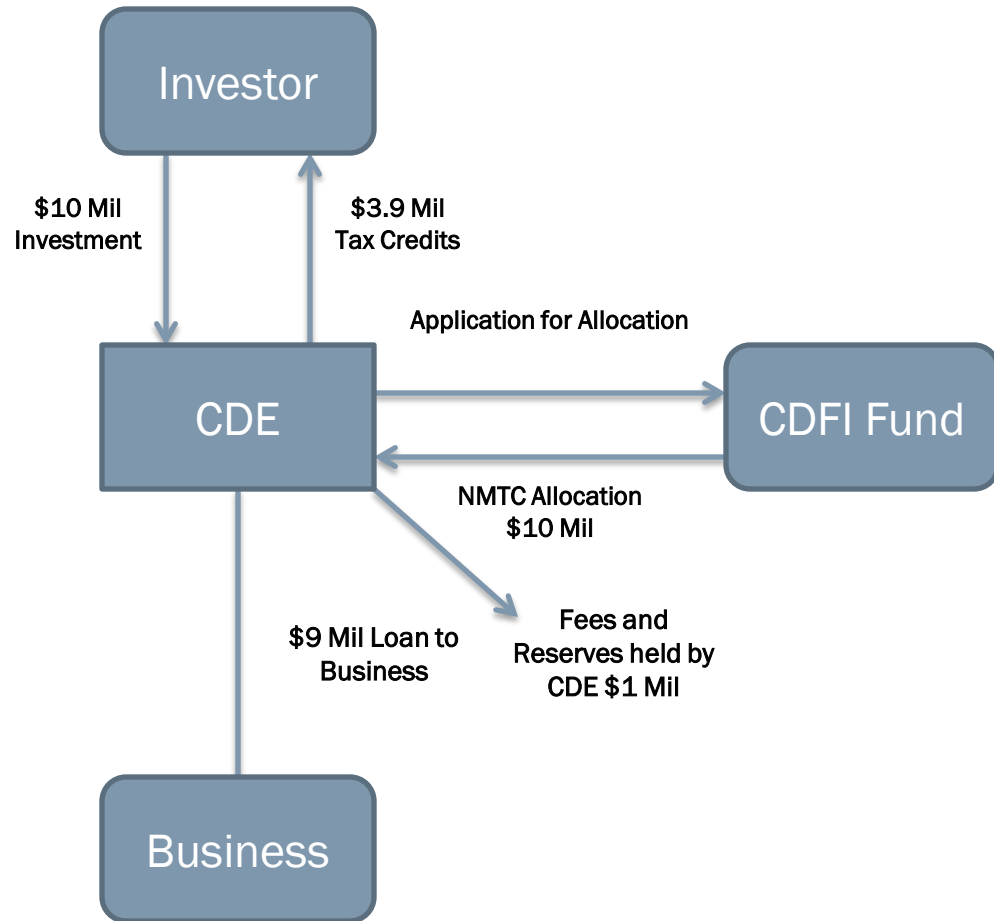
- The Civic San Diego Economic Growth and Neighborhood Investment Fund (“Fund”) is certified by the federal Community Development Financial Institutions Fund (“CDFI Fund”) as a Community Development Entity (“CDE”)
- The Fund applies for New Markets Tax Credit (NMTC) allocations from the CDFI Fund
- The Fund uses the tax credits to attract Qualified Equity Investments (QEIs) from investors which are used to provide financing for high impact projects in low-income communities

About the Economic Growth and Neighborhood Investment Fund

- The Fund has received two allocations of NMTCs totaling \$58 Million
- \$23 Million invested in the Copley-Price YMCA facility in City Heights
- Board has preliminarily recommended up to \$17 Million for the Family Health Centers of San Diego Tech & Training Facility in Oak Park
 - Currently undergoing due diligence
- \$18 Million in NMTCs available for additional projects

New Markets Tax Credit Program Overview

- CDE makes application to CDFI Fund for an allocation
- CDFI Fund awards CDE an allocation
- CDE sells tax credits in exchange for QEIs
- CDE loans funds to a Qualified Business
 - Favorable interest rates and loan terms
 - Minimum 7-year term
 - Equity call provision at year 7 (portion of loan may convert to equity)



Examples of Other Projects in San Diego that used NMTCs

- Market Creek Plaza
- Liberty Station
- North Park Theatre
- BioFuels Energy, LLC
- Monarch School
- Lafayette Hotel
- Mercado Del Barrio
- Sharp Medical Hospital
- Gary and Mary West Senior Wellness Center
- Diamond Neighborhoods Family Health Center

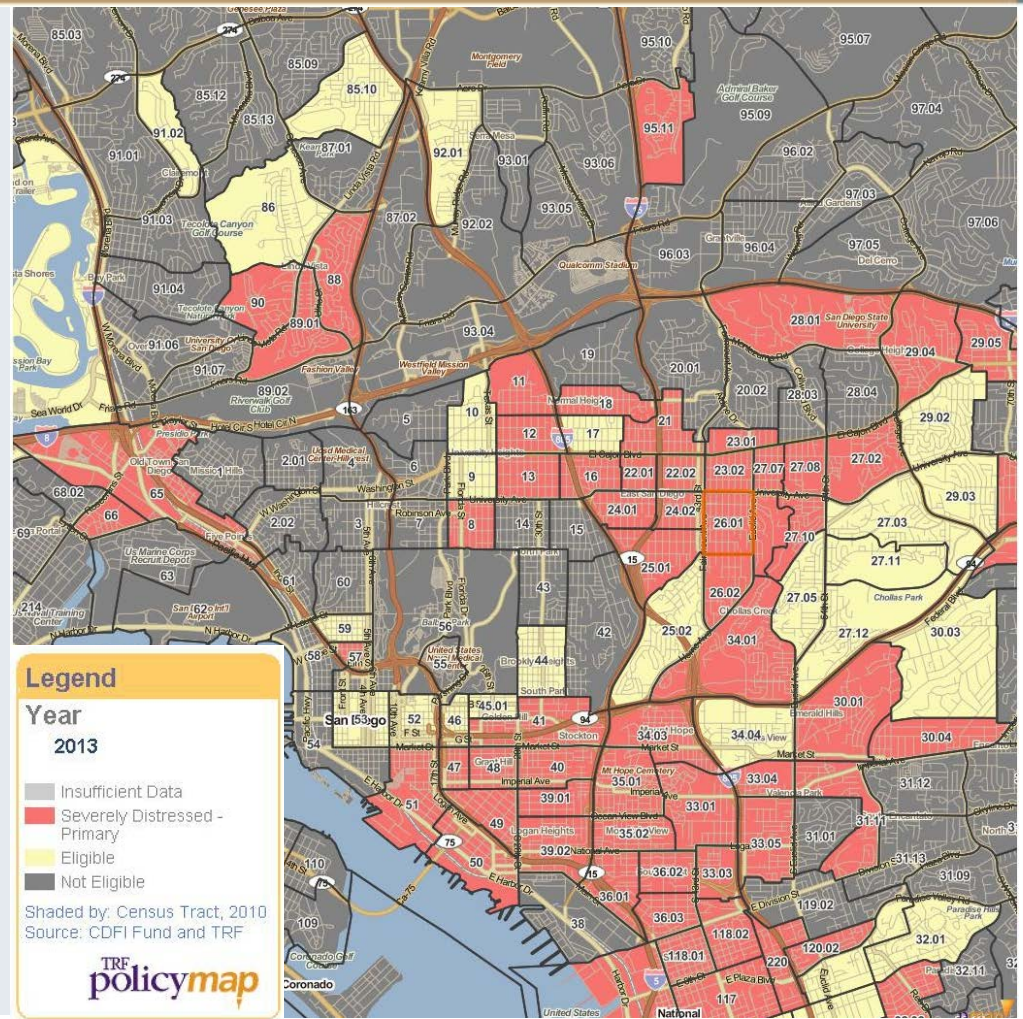
Civic San Diego New Markets Tax Credits Investment Criteria

- Borrower can be for-profit or non-profit
- Funds can be for real estate development or to support ongoing operations
- Total project costs in the \$8 - \$20 million range (NMTC equity typically covers about 20%)
- The balance of project financing has been identified
- Site control and entitlements in place
- Project located in a high distress area and provides strong community benefit

New Markets Tax Credits Targeted Highly Distressed Census Tracts

A red census tract indicates that the area is “**Severely Distressed**” under the NMTC program based on meeting at least one of the following three criteria:

- Poverty rate of at least 30 percent
or
- Median family income of 60 percent or less of that area’s median family income
or
- Unemployment 1.5 times the national average (average is 7.9%)



New Markets Tax Credits Targeted Community Benefits

- Create living wage jobs accessible to low-income person (LIPs) or residents of low-income communities (LICs)
- Provide commercial or community goods or services to LICs
- Finance minority businesses
- Housing units available to LIPs or residents of LICs
- Environmentally sustainable outcomes
- Healthy food financing

Contact for More Information

Michael Lengyel, Senior Project Manager

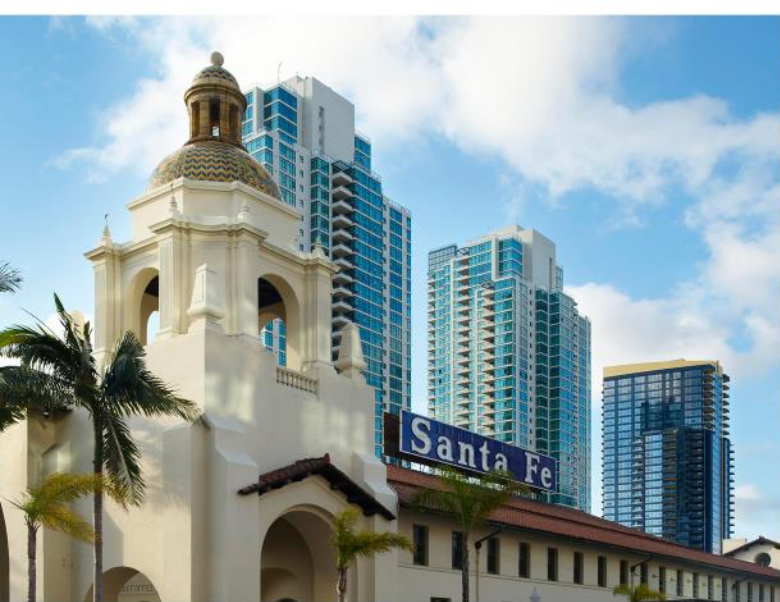
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