



# How a NMTC Deal Differs from a Standard Debt-financed Transaction

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Community  
Room

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# Similarities

- Will use the same basic agreements: loan, note, deed of trust, etc.
- Will need to provide standard real estate due diligence: appraisal, environmental, survey, proforma, etc.
- Will need to provide standard sponsor due diligence: financials, experience, etc.
- Have similar ongoing reporting requirements.

# Differences: the Negatives

- Take longer to close: ~3 months.
- Not dealing with just lender, but also tax equity investor and leverage lender.
- A lot more agreements required at close.
- High transaction costs and indemnification to tax credit investor required.
- Does not work as well with non-asset based lending.
- All of the money is advanced at close.

# Differences: Eligibility

Borrower needs to be a qualified business.

- Project located in a qualified census tract.
- 85%+ of tangible property in LICs (easiest).
- Collectibles limitations.
- Nonqualified financial property limitations.
- Restrictions on residential rental projects.
- Limitations on farming.
- No sin businesses.

# Differences: Flexible Terms

## Examples

- Interest rate: at least 50% below market.
- Origination fees: 0%.
- Interest-only period: 7+ years.
- LTV: 90%+.
- Amortization period: 23 to 33 years.
- Collateral: no deed.
- DSCR: 1.00.
- Subordination: 3<sup>rd</sup> position.

# Differences: Focus on Areas of Distress

- 30% Poverty, 60% MFI, or 150% Unemployment.
- Non-Metropolitan Counties.
- Targeted Populations.
- 25% Poverty, 70% MFI, or 125% Unemployment.
- SBA HUB Zones.
- Brownfields.
- Hope VI Redevelopment.
- Federal Native Areas.
- ARC/DRA Areas.
- Colonias Areas.
- Federal Medically Underserved Areas.
- Federal, State, and Local Zones.
- FEMA Disaster Areas.
- Trade Adjustment Assistance.
- Healthy Food Financing Initiative Designated Food Deserts.

# Differences: Community Impacts

- Job Creation.
- Quality of Jobs.
- Jobs Accessible to Low-Income Persons or Residents of LICs.
- Commercial Goods or Services to LICs.
- Community Goods or Services to LICs.
- Financing Minority Businesses.
- Flexible Lease Rates.
- Housing Units.
- Environmentally Sustainable Outcomes.
- Healthy Food Financing.
- Affordable Housing.
- Part of Community Plan.
- Catalytic.

# Differences: Financial Benefit

Typical benefit to borrower:

- No origination fees.
- Low annual interest rate.
- Loans typically forgiven at end of seven years.
- Net benefit = ~20% of project cost .