



# Accessing Capital From Community Development Financial Institutions



**CAPITAL LINK**

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

**Dan Woodman**

Project Consultant

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# Backdrop

- The outcome of the United States Presidential and Congressional elections have created uncertainty for the future of health care
- Repeal and replace of the ACA is a high priority for the new administration and Republican controlled Congress
- Uncertainty creates risk. Conventional lenders don't like risk!

# Sources of Financing

- Federal, State and Foundation Grants
- Capital Campaign
- Traditional Long Term Debt  
Commercial Banks
- **Non- Traditional Debt**  
**Community Development Financial Institutions**

# What We will Learn Today

- What are Community Development Financial Institutions (CDFIs)?
- How can CDFIs support health centers?
- How do CDFIs differ from conventional lenders?
- How do health centers access capital from CDFIs?

# Community Development Financial Institutions

- CDFIs are non-governmental organizations certified by the US Treasury Department's CDFI Fund.
- Mission-driven financial institutions that target resources to economically disadvantage communities through loans and investments to businesses and developers

# Community Development Financial Institutions

CDFIs play an important role in the nation's financial services industry because they offer loans and investments to support the development of community facilities (including health centers), housing and businesses that bring essential services to low income communities.

# CDFI Products

- Loans with flexible features
  - Longer Terms
  - Higher Loan to Value
  - Lower Debt Service Coverage Ratio
- Construction/Permanent
- Working capital
- Equipment financing

# Community Development Financial Institutions

- CDFIs can be banks, credit unions, or loan funds
- A full listing of CDFIs can be found at [www.cdfifund.gov](http://www.cdfifund.gov)



## US Treasury – CDFI Fund

The CDFI Fund is to CDFIs as the BPHC is to FQHCs.

- Direct Investment in CDFI Loan Funds
- New Markets Tax Credit Program
- CDFI Bond Guarantee Program
- Bank Enterprise Award Program
- Capital Magnet Fund
- Native Initiatives
- Healthy Foods Financing Initiative

# CDFI Program

- The CDFI Program uses monetary awards and training opportunities to build the capacity of CDFI loan pools to drive community revitalization.
- In 2015 CDFIs:
  - Financed more than 12,300 businesses,
  - Financed over 25,300 affordable housing units

# Other Programs

- The **New Markets Tax Credit Program**: incentivizes community development and economic growth through the use of tax credits that attract private investment to distressed communities.
- **CDFI Bond Guarantee Program**: Department of Treasury provides 100% guarantee of bonds that are a source of long term, low-cost loan capital for a select CDFIs known as Qualified Issuers.

## Also....

- **Capital Magnet Fund:** Provides grants to finance affordable housing solutions and community revitalization that benefit low-income people.
- **Bank Enterprise Award Program:** Monetary awards to insured depository institutions for lending or investing within communities with poverty rates greater than 30% or unemployment rates at least 1.5x the national average

# CDFIs and FQHCs

- In recent years an increasing number of CDFIs have recognized that CHCs align with the CDFI industry mission.
- Community Health Center Financing Initiative of 2014.
  - Training program to help CDFIs underwrite FQHCs

# *New Markets Tax Credits*



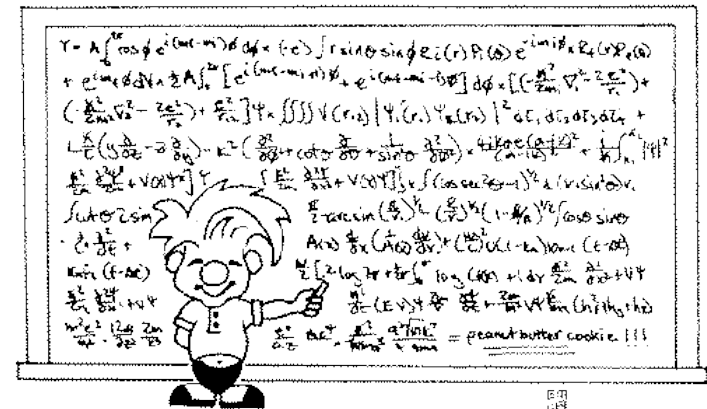
# New Markets Tax Credit Program

- Incentivizes private investment in low income communities.
- 39% Federal Tax Credit over 7 years
- Leveraging resources maximizes impact.
- Subsidy = 20-25% of total project cost.

# New Markets Tax Credit Program

- **Complex structures**

- Multiple parties – timing is critical- takes great coordination & patience
- No two NMTC deals look exactly alike
- Takes longer to put together than you (or anyone else) thinks





# Does My Site Qualify?

## ➤ Highly Distressed – Primary (need one)

- Poverty >30%
- Median Family Income < 60%
- Unemployment Rate > 150% of the national rate

*or*

## ➤ Highly Distressed – Secondary (need two)

- Poverty > 25%
- Median Family Income < 70%
- **Medically Under-served Area**
- Brownfield
- USDA Food Desert
- Designated Economic Development Zone

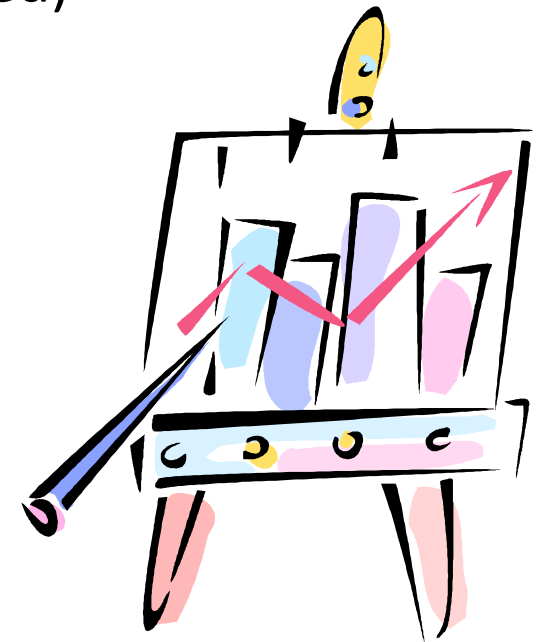
# Plan Ahead 9-12 months

- Secure Land
- Space / Architectural Planning
- Develop Project Budget
- **Develop Business Plan & Financial Projections**

# Telling the Financial Story

## Financial Feasibility

- Historical Performance (three years audited)
- 5-7 year Forecast
- Project budget
- Sources and Uses
- Financing Structure



# Telling the Community Impact Story

- User/visit growth
- Enhanced program of services
- Enabling Services and Outreach
- Job creation and retention
- Catalyst for community revitalization

# Collaborations are a Plus

- CDFIs like community health centers are grassroots organizations and therefore they like to see community support for applicants and projects.
- Co-Locating with other Social Service Providers
- Addressing Social Determinants of Health

# Capital Link Can Help

- Strategic Planning Tool Kit
- Preliminary Feasibility
- Market Assessments
- Facility and Staff Planning
- Business Plans
- Financial Forecasts

# Capital Fund

Capital Link's subsidiary CDFI

- Revolving Loan Fund
- Dedicated to FQHCs

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*Questions?*

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# Questions?

## Contact

**Dan Woodman**

Project Consultant

781-315-5424

[dwoodman@caplink.org](mailto:dwoodman@caplink.org)

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