SunTrust Community Capital, LLC
New Markets Tax Credit Introduction

In Partnership with :

CAHEC
New Markets
Investing in Opportunity

May 9, 2019
SunTrust Community Capital (STCC) provides debt and equity capital for projects that economically benefit and revitalize communities throughout the SunTrust Bank footprint.

**Equity Investments**
- Low Income Housing Tax Credits
- New Market Tax Credits
- Historic Tax Credits
- SBICs

**Debt Financings**
- Construction loans
- Permanent financing
- New Markets Tax Credits
- Equity Bridge loans
- Federal Home Loan Bank Community Investment Services

**Tax Credit Syndication**
- GA Housing Credits
Founded in 1992

Non-profit, regional tax credit syndicator investing in 11 states in the Southeast and Mid-Atlantic

Tax credit investments
- Low income housing tax credits (LIHTC)
- New Markets Tax Credits (NMTC)
- Historic rehabilitation tax credits
- Renewable energy credits

Over $2.3 billion under management
- Over 695 properties with 32,262 units
- 3.34 million SF of commercial and community facilities

CAHEC Capital, Inc.
- Certified CDFI
- Predevelopment and bridge lending for LIHTC projects

<table>
<thead>
<tr>
<th>North Carolina Investing</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIHTC 298 properties; $853 million of equity invested</td>
</tr>
<tr>
<td>NMTC 5 projects; $51.25 million of allocation</td>
</tr>
<tr>
<td>Historic-only 7 properties; $22.2 million of equity invested</td>
</tr>
</tbody>
</table>
CAHEC New Markets, LLC

- **$120 million of NMTC Allocation Awarded**
  - $30 million in 2009 Round
  - $45 million in 2012 Round
  - $45 million in 2015-2016 Round

- **$120 million invested in 13 projects in six states**
  - GA, KY (2), NC (5), TN, VA (3), and WV
  - Construction jobs: Over 3,400 actual and projected
  - Permanent jobs: Over 1,450 actual and projected

- **33% of allocation invested in rural projects**

- **CDE with 10 state service area in Southeast and Mid-Atlantic regions**

- **Current investment focus is community facilities with a priority interest in communities in which CAHEC has invested in LIHTC projects.**
What are New Markets Tax Credits?

- First tax credit program to stimulate **commercial investment** in “low-income communities”
- The program is administered by the US Department of Treasury through a division called the **CDFI Fund**, in a unique public/private partnership with Community Development Entities (CDEs)
- Program is **very competitive**, as both CDEs and borrowers must be selected to utilize a very limited supply of credits

Goals of NMTC Investment

- Create additional economic development for the community
- Attract and retain skilled workforce
- Bring new goods or services (such as education or healthcare) to underserved communities
- Drive capital investments to underserved, qualified Low-Income Communities (LIC)
Through the use of NMTCs, a project can benefit from gap financing for as much as **20-25% of the total project costs**.

- Based on a variety of factors:
  - How much NMTC allocation can be attracted to the project
  - How many eligible costs can be included in the project
  - How many other sources of financing can be included in the transaction
  - How many fees are charged in association with the transaction
  - The price per tax credit that is provided by the investor
  - Continued program compliance
Qualifying Projects

- **What types of projects qualify?**
  - Capital projects (construction and equipment costs) that fill a need in a low income community
  - >$5 Million (high transaction costs)

- **Quality Job Creation Projects**
  - Industrial/Manufacturing facilities (workforce training and living wages)
  - Renewable energy production, food processing/production

- **Community Facilities**
  - Education - Charter schools, workforce development, financial education, arts/culture education
  - Wellness - Hospitals, health clinics, YMCAs, food banks

- **Real Estate Development Projects**
  - Grocery-anchored retail (access to healthy foods, critical goods/services)
  - Office space affordable to or supportive of entrepreneurs, small businesses, non-profits
Qualifying Projects

Table 4: Types of Businesses Financed, QLICIs, Total Project Cost

<table>
<thead>
<tr>
<th>Industry</th>
<th>Total Projects</th>
<th>Total NMTC Amount</th>
<th>Total Project Cost</th>
<th>FTE Construction jobs</th>
<th>FTE jobs at tenant business</th>
<th>Total jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative, support, office/ business services</td>
<td>9</td>
<td>$98,725,317</td>
<td>$124,105,596</td>
<td>370</td>
<td>655</td>
<td>2,790</td>
</tr>
<tr>
<td>Agriculture, forestry, timberlands, fishing and hunting</td>
<td>1</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>18</td>
<td>18</td>
<td>18</td>
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<tr>
<td>Building material, hardware, garden equipment, or supplies store</td>
<td>2</td>
<td>$446,500</td>
<td>$2,705,788</td>
<td>7</td>
<td>7</td>
<td>7</td>
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<tr>
<td>Charter school</td>
<td>13</td>
<td>$133,371,854</td>
<td>$227,319,233</td>
<td>155</td>
<td>1,130</td>
<td>1,926</td>
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<tr>
<td>Child care center</td>
<td>1</td>
<td>$6,045,000</td>
<td>$6,045,000</td>
<td>160</td>
<td>4</td>
<td>164</td>
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<tr>
<td>Convenience store</td>
<td>1</td>
<td>$652,325</td>
<td>$940,000</td>
<td>4</td>
<td>15</td>
<td>19</td>
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<tr>
<td>Electronics and appliance store</td>
<td>1</td>
<td>$284,000</td>
<td>$284,000</td>
<td>5</td>
<td>5</td>
<td>5</td>
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<tr>
<td>Elementary or secondary school (non-charter)</td>
<td>4</td>
<td>$57,590,000</td>
<td>$60,970,786</td>
<td>50</td>
<td>466</td>
<td>41557</td>
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<tr>
<td>Finance or insurance</td>
<td>3</td>
<td>$4,175,000</td>
<td>$4,665,000</td>
<td>38</td>
<td>38</td>
<td>38</td>
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<tr>
<td>Food services, caterers</td>
<td>1</td>
<td>$12,840,000</td>
<td>$24,450,000</td>
<td>60</td>
<td>80</td>
<td>140</td>
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<tr>
<td>Grocery</td>
<td>4</td>
<td>$27,042,601</td>
<td>$30,138,042</td>
<td>110</td>
<td>157</td>
<td>125392</td>
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<tr>
<td>Health care facility</td>
<td>27</td>
<td>$325,029,849</td>
<td>$479,995,875</td>
<td>1,176</td>
<td>3,308</td>
<td>1,0025,486</td>
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<tr>
<td>Hotel or other accommodation</td>
<td>9</td>
<td>$115,216,390</td>
<td>$266,120,811</td>
<td>212</td>
<td>964</td>
<td>3801,556</td>
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<tr>
<td>Housing</td>
<td>5</td>
<td>$13,186,201</td>
<td>$13,422,201</td>
<td>12</td>
<td>124</td>
<td>160</td>
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<tr>
<td>Human or social service or facility</td>
<td>9</td>
<td>$126,085,000</td>
<td>$135,008,892</td>
<td>67</td>
<td>804</td>
<td>2431,114</td>
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<tr>
<td>Information technology</td>
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<td>$18,325,000</td>
<td>$20,975,895</td>
<td>241</td>
<td>39</td>
<td>280</td>
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<tr>
<td>Manufacturing or industrial</td>
<td>67</td>
<td>$492,161,140</td>
<td>$1,062,980,956</td>
<td>3,505</td>
<td>2,798</td>
<td>3,6469,949</td>
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<tr>
<td>Mixed-use</td>
<td>21</td>
<td>$338,477,385</td>
<td>$677,342,199</td>
<td>321</td>
<td>5,413</td>
<td>2,8788,612</td>
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<tr>
<td>Other</td>
<td>8</td>
<td>$71,321,458</td>
<td>$80,697,756</td>
<td>43</td>
<td>481</td>
<td>269793</td>
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<tr>
<td>Other educational service or facility (university, vocational training, etc.)</td>
<td>7</td>
<td>$79,337,222</td>
<td>$141,671,731</td>
<td>49</td>
<td>582</td>
<td>271902</td>
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<tr>
<td>Performing art, cultural, entertainment, recreation, or other amenity</td>
<td>4</td>
<td>$26,774,960</td>
<td>$35,514,379</td>
<td>15</td>
<td>212</td>
<td>92319</td>
</tr>
<tr>
<td>Pharmacy or health store</td>
<td>1</td>
<td>$245,213</td>
<td>$245,213</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Professional (e.g. legal, accounting, architectural, advertising, PR, scientific, and technical)</td>
<td>5</td>
<td>$17,514,909</td>
<td>$20,102,206</td>
<td>1,089</td>
<td>471</td>
<td>1,560</td>
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<tr>
<td>Restaurant</td>
<td>6</td>
<td>$12,445,665</td>
<td>$20,575,768</td>
<td>58</td>
<td>25</td>
<td>31114</td>
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<tr>
<td>Retail store</td>
<td>3</td>
<td>$1,209,750</td>
<td>$6,719,600</td>
<td>22</td>
<td>22</td>
<td>22</td>
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<tr>
<td>Transportation or warehousing</td>
<td>8</td>
<td>$132,219,971</td>
<td>$276,789,420</td>
<td>507</td>
<td>832</td>
<td>811,420</td>
</tr>
<tr>
<td>Utilities (e.g. gas, electric power, energy, water and sewage)</td>
<td>8</td>
<td>$30,139,545</td>
<td>$110,603,000</td>
<td>170</td>
<td>375</td>
<td>545</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>9</td>
<td>$18,757,197</td>
<td>$24,652,569</td>
<td>25</td>
<td>244</td>
<td>218487</td>
</tr>
<tr>
<td>Total</td>
<td>239</td>
<td>$2,160,619,452</td>
<td>$3,856,041,916</td>
<td>8,331</td>
<td>19,359</td>
<td>11,68839,378</td>
</tr>
</tbody>
</table>

Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1, 2014 – December 31, 2014

Avg. Project Size ~$9MM
What is a “Low-Income Community”?  

- Based on census tract data - median income and/or poverty rate  
- Qualifying vs. “Higher Distress”  
  - Poverty >30%, Median Income <60%, Unemployment 1.5 X National rate  
  - In addition to high poverty or low median income, other factors include unemployment, non-metro locations, brownfields, medically underserved areas, food deserts, FEMA disaster areas, and more  
  - Qualifying census tracts in non-metropolitan areas automatically qualify as “higher distress”  
  - Qualifying census tracts can be located using a list or mapping tool located on the CDFI Fund website
Second Harvest Food Bank
Charlotte, NC

$13,000,000
Regional Food Bank
Recleim

Graniteville, SC

$20,000,000

Recleim De-Manufacturing Plant/Operations

AMCREF Community Capital

SunTRUST
Crosstown Concourse
Memphis, TN

$203,500,000
Mixed-use vertical urban village
YMCA of the Triangle
Raleigh, NC

$21,000,000
YMCA and Elementary School
Purpose Built Community
Robinson Grand Performing Arts Center
Clarksburg, WV

$23,000,000
Historic Theater Rehabilitation
How does the program work?

Through a competitive process, Community Development Entities (CDEs) are delegated NMTC allocation authority from the CDFI Fund.

CDEs search for qualifying businesses and real estate projects seeking financing (very competitive process).

CDEs use the NMTC allocation authority to attract private investors (like SunTrust) to provide capital to the qualifying project in exchange for the federal tax credits.

The capital is provided to qualifying projects as low interest rate, convertible loans.
What is a “Community Development Entity”? 

- Certification by CDFI Fund
- CDEs come in a variety of forms:
  - Affiliate of a municipality to promote economic development
  - Affiliate of a bank to help meet community reinvestment goals
  - Non-profit and for-profit entities with a mission to serve low income communities

- CDEs:
  - Have defined geographic areas and are charged with evaluating each potential NMTC transaction for community impact
  - Are responsible for ongoing monitoring and maintenance of Sub-CDE
  - Earn fees from obtaining and deploying allocation, and those CDEs affiliated with banks can earn Community Reinvestment Act (CRA) credit
  - Maintain accountability to low-income residents

- CDEs can be found using a search engine on the CDFI Fund website (www.cdfifund.gov)
NMTC Investor

- The tax credit investor, typically a financial institution like SunTrust, is eligible as limited partner to claim the federal tax credits, ancillary economic benefits, and Community Reinvestment Act (CRA) credit
  - The tax credits are realized by the investor over a seven year compliance period

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>TOTAL BENEFIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
<td>39%</td>
</tr>
</tbody>
</table>

- Investor pricing is influenced by the need, relationships, market, interest rates, appetite and various tax issues
- Investor may act as leverage lender or lender to the leverage lender
- Investor cannot have any economic interest in QALICB (NMTC borrower)
- **Main concern for investors is avoiding credit recapture**
Basic New Markets Flow Chart

- **CDFI Fund**
- **Leverage Lender (Project sponsor affiliate)**
- **Investment Fund (owned by Investor)**
  - Leverage Loan: $6.802 MM
  - Equity: $3.198 MM
- **Community Development Entity (CDE)**
- **Business or Real Estate Project (QALICB)**
- **NMTC Equity Investor (SunTrust)**
  - Tax Credits: $3.9 MM, over 7 yrs
  - QLICI Loans:
    - A Loan: $6.802 MM
    - B Loan: $3.198 MM (less CDE fees)

- Bank Loan
- Equity
- Grants

18
### The Math (Estimated)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>NMTC Allocation</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>NMTC Rate</td>
<td>39%</td>
</tr>
<tr>
<td>Tax Credits</td>
<td>$3,900,000</td>
</tr>
<tr>
<td>Investor Monetization (estimated $0.82 per credit example)</td>
<td>$3,198,000</td>
</tr>
<tr>
<td>(Less) Estimated Closing Costs &amp; Fees</td>
<td>($1,000,000)</td>
</tr>
<tr>
<td>Estimated Net NMTC Cash to the Project</td>
<td>$2,198,000</td>
</tr>
</tbody>
</table>
What makes a good project candidate?

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

**Demographic Characteristics of Census Tract**
- Must be in a NMTC qualified census tract and in an “area of high distress” (see Appendix)

**Community Impact**
- Must demonstrate a significant quantifiable community impact (e.g., jobs created, increased wages, 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 sources 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
Assembling the Deal

**NMTC Consultant**
- Not required
- Works with project to get credits and bring participants together

**Accountants**
- Required
- Works with all participants to finalize structure and transaction projections

**Legal Counsel**
- Required
- Each party to the transaction is represented
- Prepare and review all documents
Getting to Yes

- Project due diligence
- Intake form and project informational packages
- Conversations
- Community outreach
- Review of media accounts
- Review projections and market information
- Input from CDE Advisory Board
Project Sponsor Takeaways

- Start early
- Know your project and its story
- Build a strong team
- Targeted CDE outreach for allocation sourcing
### STCC New Markets Tax Credit Platform

- SunTrust invests tax credit equity into 3rd party CDE partners
- SunTrust helps fund Leverage Loans in 3rd party CDE partners
  - Long-term debt
  - Bridge debt
  - Short-term bridge debt
- SunTrust has won 9 allocations totaling $578MM in NMTC allocation authority and has closed over $1.4 Bn of NMTC transactions, which is generating thousands of new jobs and countless other services for low-income persons and low-income communities

<table>
<thead>
<tr>
<th>CDFI FUND 14th ROUND QUICK STATISTICS*</th>
<th>MAJOR URBAN AREAS</th>
<th>MINOR URBAN AREAS</th>
<th>RURAL AREAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>230 CDEs applied for allocations (CY 2017), requesting a total of $16.2Bn in allocations. The CDFI Fund made allocation awards totaling $3.5Bn to 73 CDEs (32% of total applicant pool).</td>
<td>APPROXIMATELY $1.981Bn TO BE INVESTED IN...</td>
<td>APPROXIMATELY $757.4MM TO BE INVESTED IN...</td>
<td>APPROXIMATELY $680.5MM TO BE INVESTED IN...</td>
</tr>
</tbody>
</table>

*Reported figures from 14th Round results as of 2/13/18.
# NMTC Allocation Rounds 2000-2017

<table>
<thead>
<tr>
<th>Round (Year)</th>
<th>Total Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Round 1 (2001-2002)</td>
<td>$2,485,699,042</td>
</tr>
<tr>
<td>Round 2 (2003-2004)</td>
<td>$3,493,786,205</td>
</tr>
<tr>
<td>Round 3 (2005)</td>
<td>$1,964,688,856</td>
</tr>
<tr>
<td>Round 4 (2006)</td>
<td>$4,099,765,000</td>
</tr>
<tr>
<td>Round 5 (2007)</td>
<td>$3,892,249,021</td>
</tr>
<tr>
<td>Round 6 (2008)</td>
<td>$4,964,500,010</td>
</tr>
<tr>
<td>Round 7 (2009)</td>
<td>$4,987,650,000</td>
</tr>
<tr>
<td>Round 8 (2010)</td>
<td>$3,475,000,000</td>
</tr>
<tr>
<td>Round 9 (2011)</td>
<td>$3,622,919,753</td>
</tr>
<tr>
<td>Round 10 (2012)</td>
<td>$3,500,000,000</td>
</tr>
<tr>
<td>Round 11 (2013)</td>
<td>$3,501,392,113</td>
</tr>
<tr>
<td>Round 12 (2014)</td>
<td>$3,512,350,000</td>
</tr>
<tr>
<td>Round 13 (2015-2016)</td>
<td>$7,000,000,000</td>
</tr>
<tr>
<td>Round 14 (2017)</td>
<td>$3,500,000,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$54,000,000,000</strong></td>
</tr>
</tbody>
</table>

**North Carolina NMTC Investment 2003-2018**

- $1 billion in NMTC allocation leveraged an additional $1.4 billion from other sources for a total of $2.4 billion in project investments.
- A total of 110 businesses and economic revitalization projects in NC received NMTC financing.

**North Carolina NMTC Job Creation 2003-2015**

- 24,109 jobs created
If you think you have identified a qualifying loan opportunity, please contact us to verify with CDFI Fund’s mapping system:

- **Florida, Maryland, Virginia, Ohio, Texas, D.C.:**
  Jamise Goodman
  404-813-5472 or jamise.goodman@suntrust.com

- **Georgia, Tennessee, North Carolina, South Carolina:**
  Chris Leutzinger
  404-813-5481 or chris.leutzinger@suntrust.com

- **New Markets Tax Credit Program Director/Team Lead:**
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  boxford@cahec.com

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  Vice President, Acquisitions & Risk Management
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  gmayo@cahec.com

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<table>
<thead>
<tr>
<th>Securities and Insurance Products and Services:</th>
<th>Are Not Bank Guaranteed</th>
<th>Are Not FDIC Or Any Other Government Agency Insured</th>
<th>May Lose Value</th>
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</table>

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