

SunTrust Community Capital, LLC New Markets Tax Credit Introduction

In Partnership with :



CAHEC
New Markets

Investing in Opportunity

May 9, 2019



STCC Products & Services

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

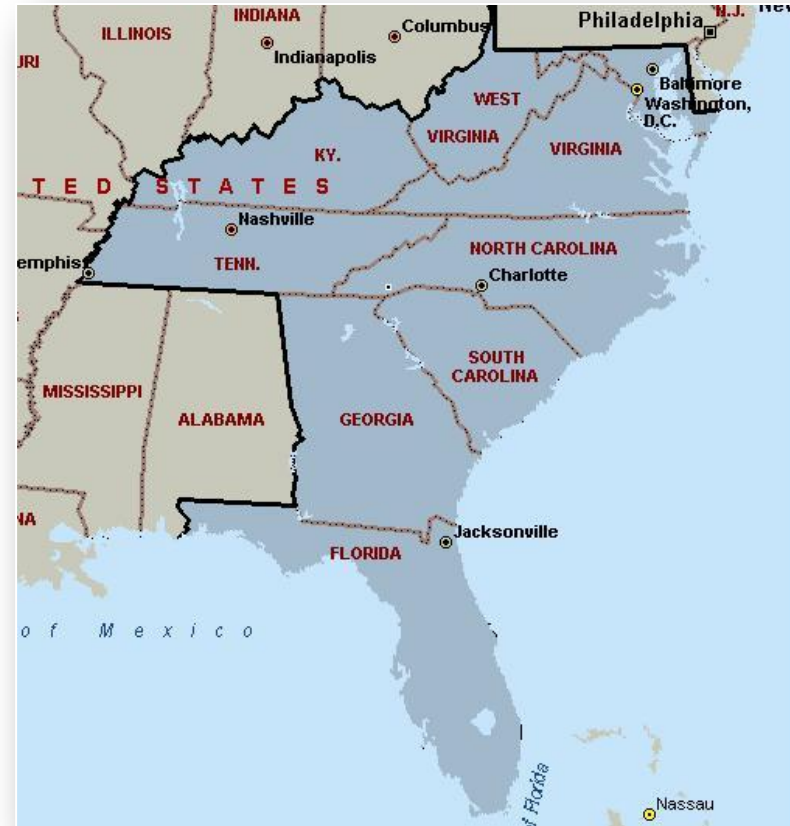


- **Founded in 1992**
- **Non-profit, regional tax credit syndicator investing in 11 states in the Southeast and Mid-Atlantic**
- **Tax credit investments**
 - Low income housing tax credits (LIHTC)
 - New Markets Tax Credits (NMTC)
 - Historic rehabilitation tax credits
 - Renewable energy credits
- **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

North Carolina Investing	
LIHTC	298 properties; \$853 million of equity invested
NMTC	5 projects; \$51.25 million of allocation
Historic-only	7 properties; \$22.2 million of equity invested

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.**



New Markets Tax Credit Overview

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)

Project Impact

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, QLICs, Total Project Cost**

Industry	Total Projects	Total NMTC amount	Total Project Cost	FTE jobs	Construction jobs	FTE jobs at tenant business	Total jobs
Administrative, support, office/ business services	9	\$98,725,317	\$124,105,596	370	655	1,765	2,790
Agriculture, forestry, timberlands, fishing and hunting	1	\$1,000,000	\$1,000,000	18			18
Building material, hardware, garden equipment, or supplies store	2	\$446,500	\$2,705,788	7			7
Charter school	13	\$133,371,854	\$227,319,233	155	1,130	641	1,926
Child care center	1	\$6,045,000	\$6,045,000		160	4	164
Convenience store	1	\$652,325	\$940,000	4	15		19
Electronics and appliance store	1	\$284,000	\$284,000	5			5
Elementary or secondary school (non-charter)	4	\$57,590,000	\$60,970,786	50	466	41	557
Finance or insurance	3	\$4,175,000	\$4,665,000	38			38
Food services, caterers	1	\$12,840,000	\$24,450,000	60	80		140
Grocery	4	\$27,042,601	\$30,138,042	110	157	125	392
Health care facility	27	\$325,029,849	\$479,995,875	1,176	3,308	1,002	5,486
Hotel or other accommodation	9	\$115,216,390	\$266,120,811	212	964	380	1,556
Housing	5	\$13,186,201	\$13,422,201	12	148		160
Human or social service or facility	9	\$126,085,000	\$135,008,892	67	804	243	1,114
Information technology	2	\$18,325,000	\$20,975,895	241	39		280
Manufacturing or industrial	67	\$492,161,140	\$1,062,980,956	3,505	2,798	3,646	9,949
Mixed-use	21	\$338,477,385	\$677,342,199	321	5,413	2,878	8,612
Other	8	\$71,321,458	\$80,697,756	43	481	269	793
Other educational service or facility (university, vocational training, etc.)	7	\$79,337,222	\$141,671,731	49	582	271	902
Performing art, cultural, entertainment, recreation, or other amenity	4	\$26,774,960	\$35,514,379	15	212	92	319
Pharmacy or health store	1	\$245,213	\$245,213	2		2	4
Professional (e.g. legal, accounting, architectural, advertising, PR), scientific, and technical)	5	\$17,514,909	\$20,102,206	1,089	471		1,560
Restaurant	6	\$12,445,665	\$20,575,768	58	25	31	114
Retail store	3	\$1,209,750	\$6,719,600	22			22
Transportation or warehousing	8	\$132,219,971	\$276,789,420	507	832	81	1,420
Utilities (e.g. gas, electric power, energy, water and sewage)	8	\$30,139,545	\$110,603,000	170	375		545
Wholesale trade	9	\$18,757,197	\$24,652,569	25	244	218	487
Total	239	\$2,160,619,452	\$3,856,041,916	8,331	19,359	11,688	39,378

Avg. Project Size ~\$9MM

Qualifying Locations

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



This website can be used as a tool to identify a property's median income and poverty rate information:

http://www.novoco.com/new_markets/resources/maps_data.php

CDFI Information Mapping System (CIMS) indicates whether a census tract qualifies as an LIC: www.cdfifund.gov/mapping

Additional information and guidance is also available at <https://www.cdfifund.gov/research-data/Pages/default.aspx> under “Program Eligibility Guidance”



Second Harvest Food Bank

Charlotte, NC



REINVESTMENT
FUND

\$13,000,000
Regional Food Bank



Recleim

Graniteville, SC



Recleim

\$20,000,000

Recleim De-Manufacturing Plant/
Operations



AMCREF
Community Capital



Crosstown Concourse

Memphis, TN



**KEMMONS
WILSON**
COMPANIES

\$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

Community Development Entities (CDEs)

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)

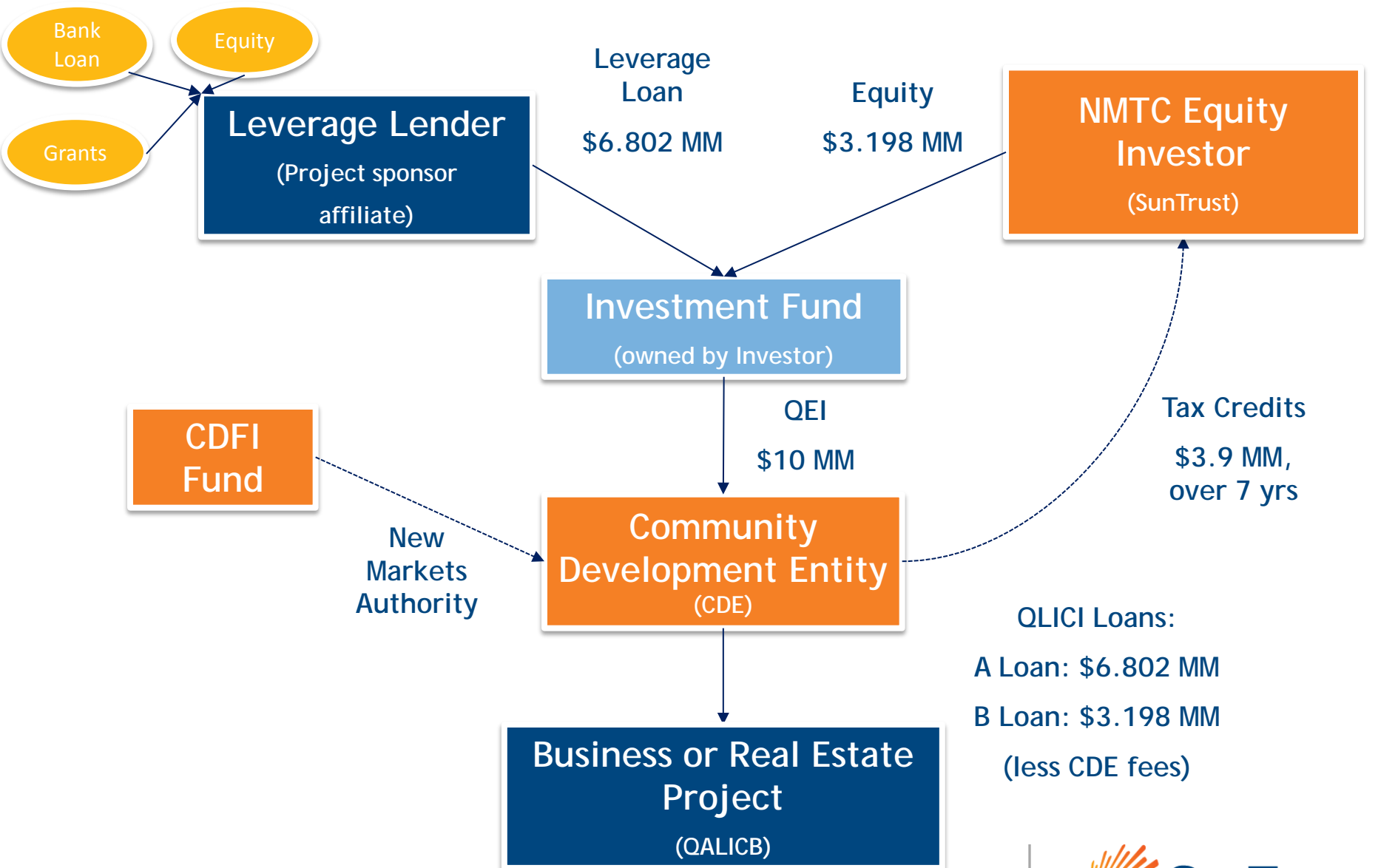
NMTC Investor

- 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

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	TOTAL BENEFIT
5%	5%	5%	6%	6%	6%	6%	39%

- 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



The Math

The Math (Estimated)

NMTC Allocation	\$10,000,000
NMTC Rate	39%
Tax Credits	\$3,900,000
Investor Monetization (estimated \$0.82 per credit example)	\$3,198,000
(Less) Estimated Closing Costs & Fees	<u>(\$1,000,000)</u>
Estimated Net NMTC Cash to the Project	\$2,198,000

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

CDFI FUND 14th ROUND QUICK STATISTICS*

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).

APPROXIMATELY
\$1.981Bn
TO BE INVESTED IN...
MAJOR URBAN AREAS

APPROXIMATELY
\$757.4MM
TO BE INVESTED IN...
MINOR URBAN AREAS

APPROXIMATELY
\$680.5MM
TO BE INVESTED IN...
RURAL AREAS

*Reported figures from 14th Round results as of 2/13/18.

NMTC Allocation Rounds 2000-2017

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



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

SunTrust Contacts

If you think you have identified a qualifying loan opportunity, please contact us to verify with CDFI Fund's mapping system:

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