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Alternate resources help revitalization projects

Millions of dollars in community investment funds that are off the so-called beaten path may be available to companies and nonprofit organizations embarking on development projects in Ohio.

These funds are not often found through traditional means, such as banks or local or state government agencies. Rather, they are funds that provided by private organizations and can take the form of low-interest loans or grants.

What is the primary caveat for obtaining these dollars? The projects typically have to occur in low- to moderate-income areas or benefit a specific population group that might otherwise be underserved.

Despite the availability of these funds, the problem is many developers and organizations are unaware that these resources exist and do not know where and how to access them.

The Finance Fund, a nonprofit organization based in Columbus, is among the largest of these organizations in Ohio, providing a range of funding options for projects throughout the state.

The following is a sampling of the options available to assist development project financing.

NEW MARKETS TAX CREDITS

The New Markets Tax Credit Program provides loans with low-interest rates and other favorable terms for projects that benefit low- to moderate- income areas. Typically, the money is packaged with traditional financing. Projects can range from healthcare facilities to neighborhood stores and daycare centers.

To raise money for the program, the federal government allocates a specific amount of tax credits to Community Development Entities (CDE), which are independent community groups, special purpose

organizations, or financial institutions. These entities set up their own funds for community investment and, in turn, seek investors to put money into their own funds in exchange for the tax credits, amounting 39 percent over seven years. CDEs control the distribution of their funds.

Typical investors are financial institutions, but some CDEs are expanding the investor base to include insurance companies and investment firms.

Fourteen CDEs in Ohio offer New Markets investment. In June, the federal government allocated a total of \$1.50 million in New Markets Tax Credits to Ohio CDEs.

LINKED DEPOSIT PROGRAMS

Linked Deposit Programs are offered through a variety of organizations, including some government entities. For example, The Ohio Treasurer provides Linked Deposit Programs for small businesses with primary criteria of eligibility tied to the amount of jobs that are being created.

However, there are a number of other organizations offering their own variations of the programs. A quick search of the Internet or inquiries at local economic development offices can often yield resources. A number of private organizations offer this program as a tool/product to reduce the interest rate on permanent financing.

A Linked Deposit Program provides community-based nonprofit developers with access to affordable financing from local lenders for housing and economic development projects. The deposit term is usually shorter than the loan term, allowing for reuse of capital and expansion of the efficiency and leverage of the deposit. The low-interest loans enable organizations to make project

affordable to the lowest income people in their communities. Low-income is defined as 80% of the areas median income.

OTHER OPTIONS

Some organizations offer alternative (continued on page 34) grant programs that can help projects come to fruition by filling financial gaps. For example, Columbus-based Finance Fund provides economic development grants to community-based nonprofit and for-profit groups to help pay for construction and equipment. Projects must bring about improvement of neighborhood commercial areas through rehabilitation or construction of industrial, retail, or office space and must create permanent, private-sector jobs that strengthen an area's economic base. The projects also must target low-income people. Grant awards are up to \$100,000.

Another program developed by Finance Fund helps pay for the initial costs of a project, enabling other forms to pay for construction. The program offers predevelopment grants of up to \$20,000 per project for "soft" or upfront costs, such as appraisals, legal fees, engineering, or environmental studies.

Often, organizations are unable to afford these up front costs, which can limit their ability to ever get them off the ground entirely or in a timely manner. By covering the upfront costs, organizations are out in a better position to secure financing for the project itself.

These are a sampling of alternative resources that can be tapped to complete the financial puzzle and gets projects off the ground.

James r. Klein, CEO of the Finance Fund, provided information for this article.