

Finance Fund aiming to aid local projects

By G. PATRICK KELLEY
REPOSITORY BUSINESS EDITOR

The Finance Fund - it's money looking for a community to help.

The nonprofit fund acts as an investment intermediary between the haves and have-nots.

"We have been programming in distressed areas," said CEO James Klein. The fund looks for urban or rural areas in economic distress, which is usually determined by the level of poverty or the median income. It focuses on housing, economic development and community facilities.

"We try to change the system, not the symptoms," he said. That's the option "rather than throwing money or putting Band-Aids on the system," he said. "All our programs are aimed at that."

The Fund does a market study every two years to determine community needs. Three systems identified in the latest study are:

- vacant and abandoned properties;
- early learning facilities;
- and help for banks in distressed markets so they can do community lending.

Jayhue Murdock, executive director of the Stark County Out of Poverty Project, is familiar with the Fund. His organization has received several project grants, and he took over as chairman of Fund board last month.

"The Fund provides that risky capital to get community-based projects done," he said.

Since 2005, the Fund has put more

than \$100,000 in grants in Stark County, including:

- \$12,000 for development of the Willow Park housing project;
- \$20,000 for a project in the Summit neighborhood;
- \$20,000 for ICAN's West Park housing project;
- \$20,000 for the East Alliance Neighborhood Corp.'s housing project;
- and a host of playground and child-care grants.

The government used to be very involved in funding child care, but "It's hard to come by that money these days" Klein said.

LOANS AND DEPOSITS

The fund has two core products. One is a grant or interest-free loan, often made in the planning stage of a project to help it get off the ground. The money often pays for professional services like architects, engineers or accountants. It could be used for an option on property or a feasibility or environmental study, Klein said.

"In a lot of ways they are like a lender, but they understand the needs of community-based organizations," Murdock said. "Traditional lenders might not be willing to take a chance, but the fund will."

The other core product is linked deposits. "It allows local lenders to participate when it was previously perceived impossible to do," Klein said.

The situation usually is that the bank may want to make the loan but can't make enough on the interest the developer can afford to pay.

The Fund makes a deposit with that local lender and it's linked to the loan. The bank makes interest from the deposit, so it can lower the interest

rate on the loan.

Without the linked deposit, "When lenders have to reduce their interest rate, they're losing money," Klein said. The deposit makes up the difference in what the borrower can handle and what the bank needs to make money on.

"They offer a bridge to bring extra equity to the table so organizations like ours can get things done," Murdock said.

HELP FOR LOW-INCOME COMMUNITIES

The Fund also funnels money for housing tied to low income through the Ohio Housing Trust Fund, and is a primary conduit for a federal program called New Markets Tax Credit that began during the Clinton administration.

The Fund finds people or companies interested in investing in distressed areas. The investment will get about a 39 percent tax credit over seven years.

"The proceeds of the investments are used to develop in low income communities," Klein said. The Fund has gotten \$55 million in three awards of \$15 million, \$15 million and \$25 million. The first \$30 million is entirely committed.

The Fund also makes flexible and low-interest loans, mainly for economic development like health care centers, child care centers and multi-use properties in low-income areas.

"We usually try to do them with a bank partner," Klein said. "We try to add value to projects to leverage more money."

Reach Repository Business Editor Pat Kelley at (330) 580-8323 or e-mail: pat.kelley@cantonrep.com