



How to Make Your Dream Facilities Come True:

Endowments, Charitable Funding and
New Markets Tax Credit Financing



National Women's Shelter Network, LLC

Introductions



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Dream Facilities Really Do Come

True!

Endowments \$\$\$

- A vehicle to help you build your Dream Facilities and achieve long term financial stability. Three primary organizational forms:
 - 1) 501(c)(3) independent supporting foundation
 - 2) Community foundation with targeted donor advised fund
 - 3) Fundraising initiative typically with restrictions earmarked for your Dream Facilities
- Enlist the aid of legal counsel in determining what is best for you.
- Advantages of Endowments:
 - Dedicated focus on capital needs and long-term sustainability
 - Assures donors that their funds will be utilized for the intended purpose
 - In the case of a supporting foundation, a special entity to facilitate financing
 - Donations generally deductible to same extent as entity supported
 - Facilitates capital campaign and financing

Successful Capital Campaigns

- Project should be well into the conceptual design phase, with functional layouts and appealing renderings before publicly launching your capital campaign and seeking financing. Engage professionals to help you, ideally pro bono.
- Articulate your shelter needs and wants clearly and develop your preliminary functional layouts, taking into consideration land constraints, existing facilities and the like.
- Design for trauma-informed environments, privacy, accessibility, environmental sensitivity, supportive services, educational and enrichment programming, operations support, gardens and above all - dignity. Can you be a “value add” to your neighborhood? **Dream big!**
- Engage your PR/Media Relations professionals and develop your PR/Media campaign for community engagement and fundraising.

Sell Your Vision

- Develop compelling marketing materials for your Dream Facilities to invite both wide ranging community support and high net worth champions.

Musts:

- Beautifully designed renderings and preliminary functional layouts
- Needs met by your Dream Facilities, clearly articulated, e.g., #s sheltered, meals served, training programs, supportive services, improved success rates with evidence-based design and wrap around supportive services
- Meet with key stakeholders and prepare for NIMBY with positive community engagement and grassroots outreach. Cultivate your allies in business, government, philanthropy, and community, especially your neighboring owners.

Show Me The Money!

- Set your campaign target based on your overall project budget with the help of land use, design and construction professionals
- Gifts and pledges may consist of cash, equities (e.g., appreciated stock), annuities, land and/or other property, but preferably as liquid as possible.
- Donors to capital campaigns are typically high net worth individuals and families and their foundations who fall in love with your vision and project, focused on “legacy giving” in alignment with their philanthropic goals.
- Cultivate legacy leaders and others will follow - publicity is key
- Develop a menu of naming opportunities; increase the pricing as the campaign progresses

Show Me The Money! (Continued)

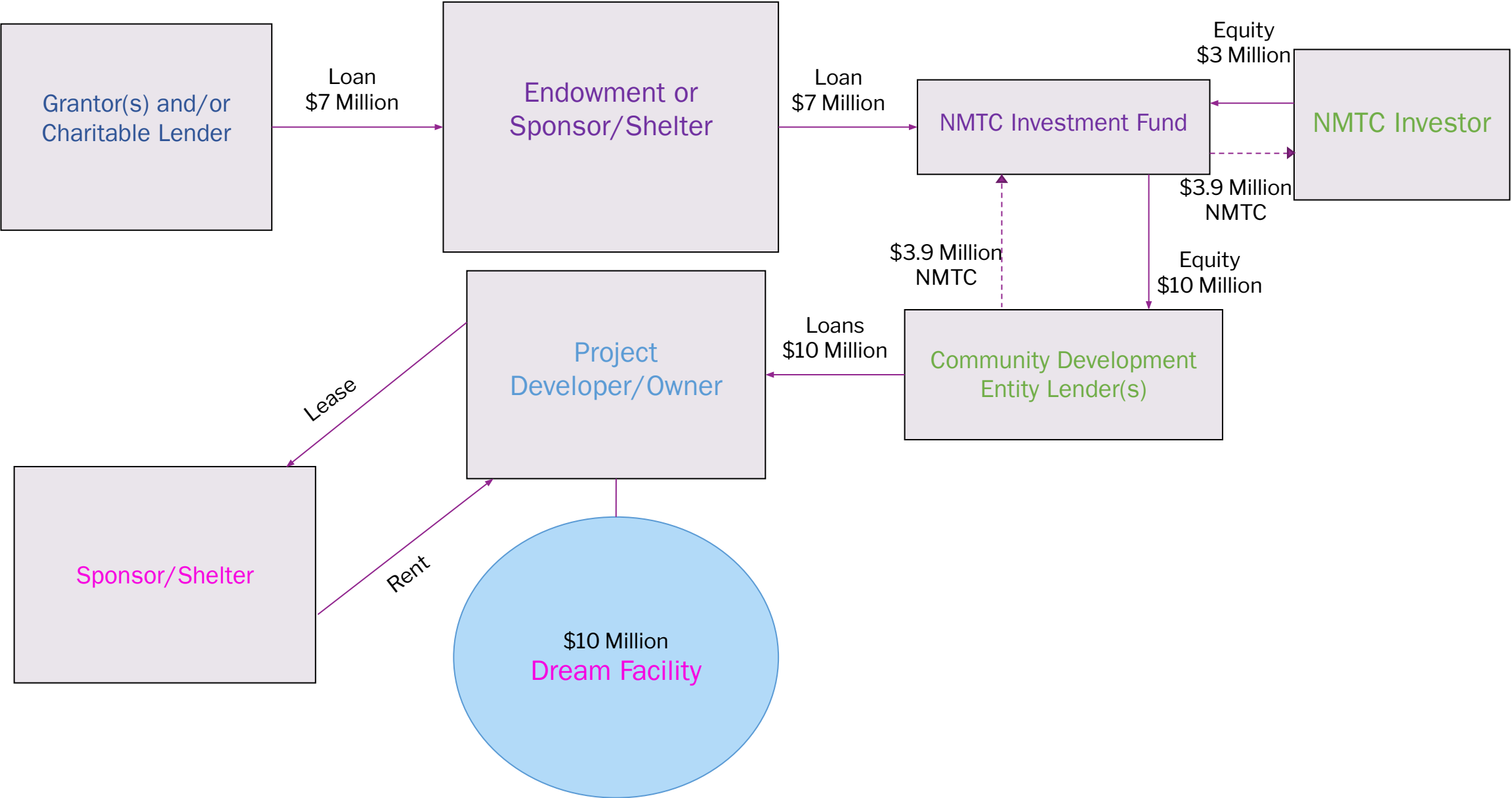
- Donations and financial pledges need to be firm but flexible, often payable over 5 to 7 years. Challenge or match grants generate momentum.
- Develop a written standard pledge agreement, assignable to lenders.
- Most important - people give to people. Show you passion and get to know your prospective donors and their goals.
- Unless you wait until your capital campaign is complete, plan for financing to bridge the gap, with some combination of charitable, commercial, and/or NMTC financing.

Charitable Financing

- A charitable loan is one in which the lender's aims are first and foremost philanthropic.
- The charitable mission of the lender needs to be deeply aligned with the mission of the non-profit shelter and community support facilities.
- The lender makes the charitable loan in furtherance of their mutual not-for-profit charitable goals, but has requirements that go above and beyond their standard grant making.

Charitable Financing Advantages

- Any amount, but often higher leverage than commercial lenders
- Any interest rate, but often well below market for commercial loans
- Typically secured by pledges, existing and future
- Longer and often more flexible loan repayment schedules, ideally within a horizon that matches your capital campaign and receipt of pledges
- Accelerates development timeline and project impact
- Equitable financing terms, less “red tape” than commercial financing.
- Helps bridge the gap between completion of a capital campaign and development.



Profile of Eligible Projects

- Soft minimum of \$5,000,000 total project costs
- Project Borrower must be in a Low-Income Community (Census and ACS Survey data) or serving Low Income individuals
 - Distressed vs. Severely Distressed
- Produces a community benefit, such as job creation, provision of needed goods/services, catalyze development in community, etc.
- Proceeds used for new construction of real property, substantial rehabilitation of existing property, equipment and project soft costs
- Eligible businesses include:
 - ✓ Healthcare Facilities, Manufacturers, Non-profit Social Services, Community Facilities, Real Estate Developers, Service Businesses, Retail
 - x Borrower cannot be - or lease to – certain ‘sin’ businesses such as liquor stores, massage parlors, gambling facilities, race tracks, tanning facilities



U.S. Bank's Role

- Help determine eligibility and feasibility
- USBIF (equity investor) monetizes the credits
- USBIF can help attract credit allocation to a qualified project through our network of CDE relationships
- USBIF is committed to building diversity, equity and inclusion internally as well as throughout the



USBCDE, LLC

Committed to using our allocation to invest in projects that reduce **the racial wealth divide.**



What types of projects does NMTC support?

NMTC is intentionally quite flexible, and can pay for or reimburse such costs as:

- Property acquisition
- New construction or building rehab
- Equipment purchase/installation
- Programmatic Expansions
- Reasonable related “soft costs” and financing costs

What type of project is less important than what are the impacts for Low-Income Individuals?

- Employment (permanent or transitional), particularly quality and accessible jobs
- Job training/placement and pre-career education
- Health and wellness
- Education/childcare/youth enrichment
- Nutrition and food access
- Emergency shelter and transitional housing
- Permanent housing that is not financed with LIHTCs, developed as part of a mixed-use building
- Support for minority and disadvantaged small businesses

What's Involved?

STEP 1: PRELIMINARY POSITIONING (Varies; ideally 12 months or more)

- Define the project, complete preliminary deal structuring, and create summary of community impacts
- Get on the radar of CDEs
- Work on the core funding sources; configure them to be NMTC-compatible
- Move the project towards readiness (site control, design, regulatory, etc.)
- Put together a “deal package” highlighting project feasibility, community impact, timing

STEP 2: ASSEMBLING THE DEAL (Roughly 60-90 days)

- Non-NMTC funding sources are in-hand at a “term sheet” level
- Go through CDE and investor screening process
- Obtain commitments of NMTC allocation, NMTC equity investment

Ideal to time this step based on NMTC award timing by CDFI Fund (which shifts year to year)

STEP 3: CLOSING PROCESS (Roughly 60-90 days)

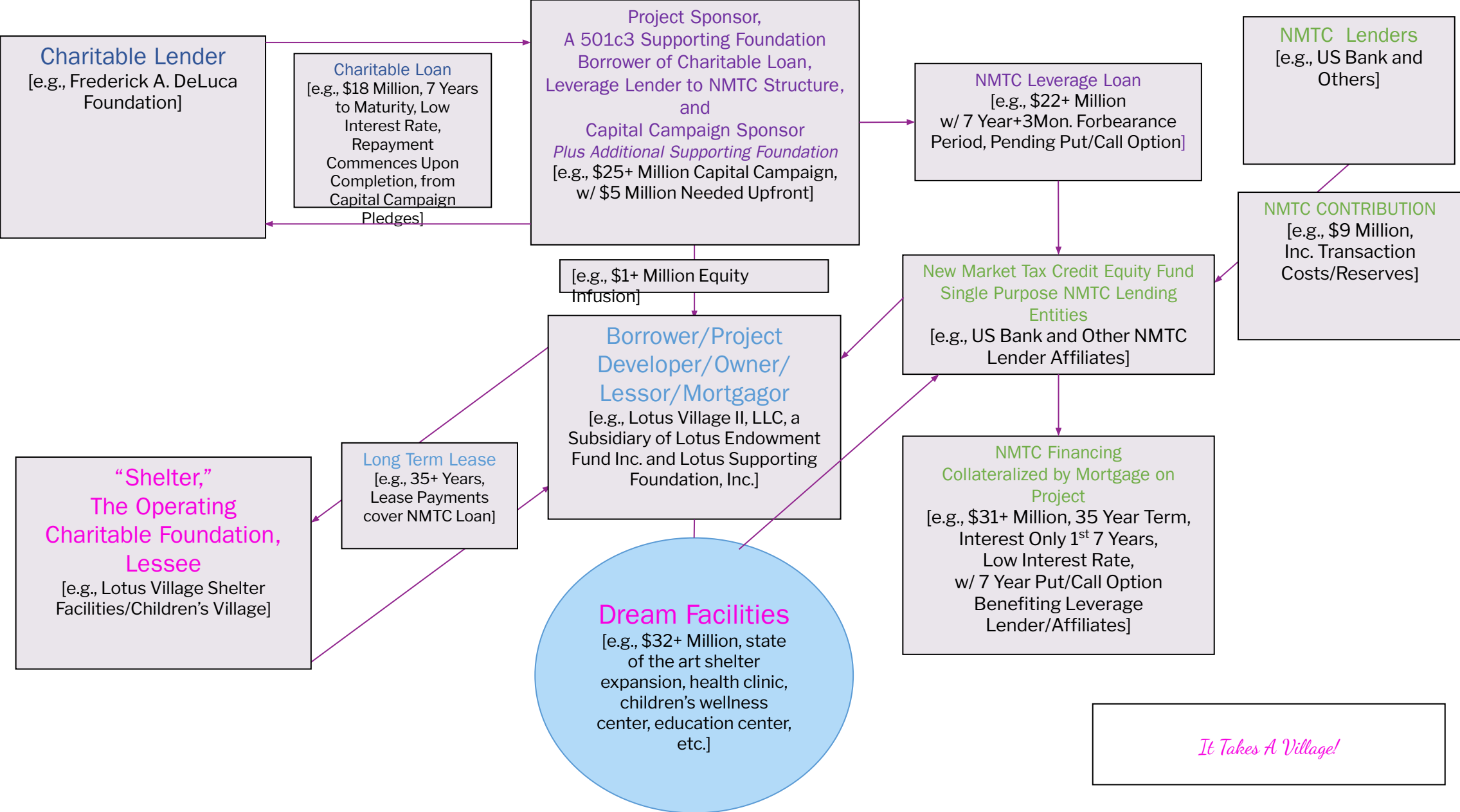
- Retain legal counsel and NMTC accountants
- Weekly calls and document drafting
- All legal permissions to proceed are typically in-hand (e.g., building permits, zoning, etc.)
- Construction contract is fully priced and signed
- All other project funding is in place and ready to flow

Sample NMTC Net Benefit Calculation

Sample Transaction: the Children’s Village at Lotus Village (April 2023)

Total NMTC Allocation	\$32,000,000	
Total Tax Credits	\$12,480,000	39% of Allocation
Total NMTC Equity (Gross) from Investor	\$10,108,100	<i>\$0.81 Investor Pricing for Tax Credits</i>
Less Upfront Fees Charged by CDEs	(\$1,152,500)	<i>About 3.6% of Allocation</i>
Equals Funding Provided to Project	\$8,955,600	<i>(aka the NMTC “B Note”)</i>
Less CDE Asset Management Fees	(\$763,000)	<i>\$109,000 / Year for 7 Years (.34% of Allocation)</i>
Less CDE Audit/Tax Expenses	(\$106,000)	<i>\$13,250 / Year for 8 Years</i>
Less Closing Costs (Legal, Accounting, etc.)	(\$706,000)	<i>Fees Vary Based on Complexity of Deal</i>
Equals Net Subsidy to Project	\$7,380,600	

SAMPLE PROJECT FINANCING – Combined Endowment, Charitable Funding and NMTC Financing



Dream Facilities

