

Northern California Community Loan Fund



NORTHERN
CALIFORNIA
**COMMUNITY
LOAN FUND**

**REAL ESTATE READINESS
FOR NONPROFIT ORGANIZATIONS**
(Where financial managers meet real estate developers)

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1

Mission

NCCLF promotes economic justice and alleviates poverty by increasing the financial resilience and sustainability of nonprofits and enterprises. Through flexible financial products and sound advice, we create opportunities to make socially responsible investments that revitalize Northern California communities.

Vision

NCCLF envisions financially strong and culturally vibrant communities where each person has access to decent jobs, homes, health care, education, and economic opportunities. We work in partnership with individuals and organizations who share our vision of sustainable communities and social and economic justice.

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2

Our Programs

Lending
&
NMTC

Consulting

Socially
Responsible
Investing

Policy

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3

AGENDA

- Introductions
- Overview of Real Estate Development Process
- Real Estate Readiness
 - What is our capacity?
 - What is our plan?
 - What can we afford?
- How do we pay for it?
- Closing Comments and Questions

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4

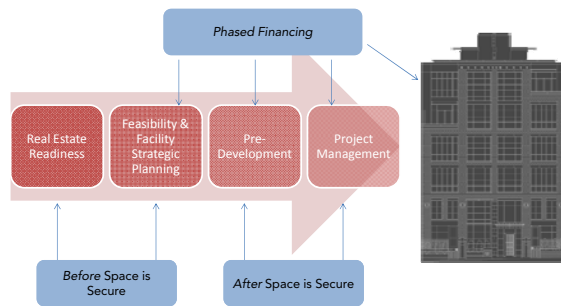
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DEVELOPMENT PROCESS



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FEASIBILITY & FACILITY STRATEGIC PLANNING

- Real Estate Development Process Coaching
 - What do you need?
 - Where do you need it?
 - Lease vs. Buy Analysis
 - Project Scope & Feasibility Analysis
 - Building the Project Team
 - Property & Asset Mgmt Planning



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PREDEVELOPMENT

- Secure Space
- Identify Financing Options
- Project Planning, Design & Permitting
 - Architect, Engineers, Project Manager, General Contractor



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CONSTRUCTION & PROJECT MANAGEMENT

- Project Manager (Owner's Representative) Responsibilities:
 - Design Coordination
 - Construction Bidding (by General Contractor)
 - Construction Management
 - Facilitate & Implement Owner's Decisions



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9

REAL ESTATE READINESS

1. What is our capacity?

- Look through three different lenses:
 1. Organizational Capacity
 2. Staff & Board Capacity
 3. Financial Capacity
- 2. What is our plan?
- 3. What can we afford?
- 4. How do we pay for it?

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REAL ESTATE READINESS

- Organizational Capacity
- Board Capacity
- Staff Capacity
- Financial Capacity



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ORGANIZATIONAL CAPACITY



- Clear Mission, Vision & Strategy?
- Governance & Leadership?
- Business Plan for the Future?
- Strategic Relationships?
- Systems & Staffing for:
 - Program Delivery?
 - Impact Measurement?
 - Resource Development?
 - Internal Operations & Management?

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ORGANIZATIONAL CAPACITY

Plans that Shape Facility Decisions

- Strategic Plan: How your organization’s programs carry out your Mission & Vision.
- Business Plan: How your programs operate to deliver their desired outcomes.
- Facility Plan: Space needs, corporate structure, financing and timing based on the Strategic and Business plans.
- Capital Campaign Plan: Marketing for donations and fundraising required.

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STAFF & BOARD CAPACITY

Indicators of...

- Stable & experienced leadership team
- Dedicated Project Manager
- Staffing to continue operating programs
- Board Facility Committee
- Defined roles & responsibilities
- Defined decision-making process



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FINANCIAL CAPACITY

Indicators of...

Financial strength:

- Increasing net income
- Healthy reserves
- Healthy financial ratios
- Fundraising capacity
- Financial systems to track sources and uses of funds
- Strong budget development, variance monitoring, contingency planning processes



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FINANCIAL CAPACITY

What do funders look for?

- The 5 C's of Credit
 - Capacity: cash flow for loan repayment
 - Capital: resources available for project equity
 - Collateral: security pledged for the loan
 - Conditions: requirements to mitigate risk
 - Character: management & board, track record of organization

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FINANCIAL CAPACITY

Can you launch a successful capital campaign?

- Organization:
 - 5 "C"s are strong!
 - Clear programmatic need
 - Clear plan for on-going programmatic support
 - Board & Staff leadership with common goals
- Project: Site control and a clear plan
- Donors ready to expand support
 - Potential lead donors identified

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3. What can we afford?
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WHAT IS OUR PLAN?

Facility Strategic Plans address 7 questions:

1. Real Estate Readiness? (Financial & Org Capacity)
2. What do we need?
3. Where do we need it?
4. Alternatives Analysis: Lease / Buy
5. How do we pay for it?
6. Who is our Facility Team?
7. Operations and Asset Management?

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FACILITY PLANNING CYCLE

- Space needs can change with program changes.
- There is no perfect space, only best fit for particular time.
- Revisit facility needs when programs change or EVERY 7-10 YEARS!



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WHEN TO START PLANNING

Easiest ↑ ↓ Hardest	0 Months	Continue to rent your current location
	3 - 6 Months	Secure a new lease that better meets your needs
	6 -12 Months	Purchase an as-is building that meets your needs
	1 - 3+ Years	Purchase a building that will require light renovation or remodel
	3 - 8+ Years	Purchase land and build a new facility

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WARNING SIGNS

- Facility Strategic Plans are more difficult if you are:
 - Driven by specific, real estate opportunities;
 - In financial crisis;
 - In imminent danger of losing space; or
 - If your space needs are immediate.
 - If Board and Executive Staff do not agree.

These situations severely limit your options!

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BUILDING: SPACE NEEDS ANALYSIS

- Program Space Needs:
 - Existing
 - Next 5-10 years
 - Ideal
- Special features needed?
- Timing of growth or reductions
- Shared use opportunities
- Co-location opportunities: partners, collaborators

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LOCATION CONSIDERATIONS

- Proximity to clients/participants
- Proximity to public transit
- Proximity to schools
- Proximity to business support services (suppliers, printers, distributors, etc.)
- Proximity to employee support services (daycare, restaurants, shops, cleaners, etc.)
- Proximity to (or distance from) partners and collaborators, funders, competitors

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REAL ESTATE READINESS

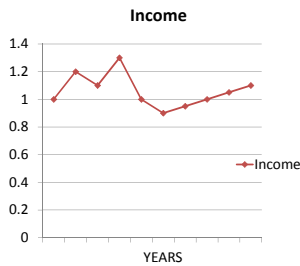
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WHAT CAN WE AFFORD?

Develop conservative 5-10 year operating budget projection.



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WHAT CAN WE AFFORD?

Are we financially ready to move?

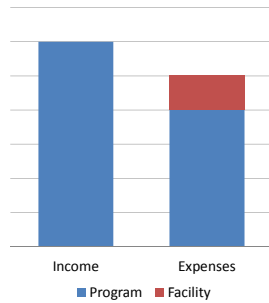
1. Project Total Current Facility Expense per square foot or per seat.
 - Typical Facility Expenses:
 - Rent/mortgage
 - Utilities
 - Insurance
 - Taxes
 - Building Maintenance
 - Building Janitorial
 - Landscaping

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WHAT CAN WE AFFORD?

2. Estimate additional space needed.
3. Estimate impact of additional income AND expenses.

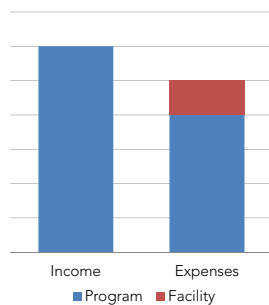


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WHAT CAN WE AFFORD?

4. Determine organizational impact:
 - Impact on ratios?
 - Staff changes needed?
 - Impact on fundraising?
 - Impact of additional obligations?



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LEASE VS. BUY ANALYSIS

- Leasing
 - Faster
 - Cheaper in short term
 - Lower Risk
 - Programmatic Flexibility
 - Cash Reserves more liquid
- Owning
 - Mission & programmatic opportunities
 - Might be cheaper in long-term
 - Stability
 - Special facility needs
 - Asset Value (Non-Liquid)

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31

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FINANCING SOURCES BY TYPE

- Public
- Public/Private
- Private
- Philanthropic

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TIMING OF FINANCING SOURCES

- **Planning/Feasibility**
 - Unrestricted Net Assets (Equity)
 - Foundations/Grants
- **Predevelopment/Early**
 - Local government
 - CDFI's & Intermediaries
 - Foundations/Grants
- **Long Term/Permanent**
 - HUD – CDBG
 - New Markets Tax Credits
 - Foundations – grants/PRI
 - HHS – Office of Community Services grants
 - Loans (CDFIs, conventional lenders)
 - Fundraising/Capital Campaign

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34

Community Development Financing by Type

- **Public, Federal Level**
 - US Housing and Urban Development Agency (HUD)
 - Community Development Block Grants (CDBG) for Community Facilities
 - US Economic Development Administration
 - Infrastructure & Facilities Construction Funds
 - US Environmental Protection Agency
 - Brownfields Remediation Funds

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U.S. Housing & Urban Development (HUD)

Community Development Block Grants (CDBG)

- Flexible Source of Grant Money for a Wide Variety of Projects, including health clinics, childcare facilities, food banks that primarily serve low-income people
- Local Entitlement Jurisdictions
- Non-Entitlement Program for rural cities and counties, administered by State Department of Housing & Community Development (HCD)
 - Cities (<50,000); Counties (200,000)

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36

US Economic Development Administration (EDA) Dept. of Commerce

Public Works

Empowers distressed communities to revitalize, expand, and upgrade their physical infrastructure to attract new industry, encourage business expansion, diversify local economies, and generate or retain long-term, private sector jobs and investment.

Competitive Project Types include:

- Technology-based facilities that utilize distance learning networks
- Smart rooms, and smart buildings
- Multitenant manufacturing and other facilities
- Business and industrial parks with fiber optic cable
- Also check <http://business.ca.gov/> Governor's Office of Business and ED

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US Environmental Protection Agency (EPA)

- Brownfield Program
 - Addresses site contamination
 - Opportunities change yearly
 - Pre-Prepare! 60 day turnaround
- 2015
 - \$3.6 million to 19 communities to place unemployed and underemployed individuals with the skills needed to secure employment in the environmental field. Up to \$192,300 per recipient.
 - \$4 million in grants to 20 communities, \$200,000 per recipient

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Community Development Financing by Type

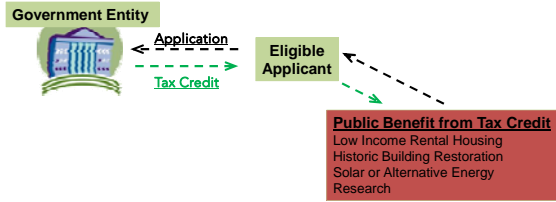
- Public-Private
 - New Markets Tax Credits
 - Historic Tax Credits
 - Low Income Housing Tax Credits

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What is a Tax Credit?

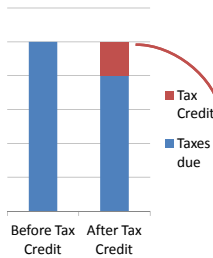
A dollar for dollar reduction in taxes in exchange for a public benefit.



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What is a Tax Credit?

Reduced taxes committed in exchange for the taxpayer's investment in a public benefit.



Taxpayer's investment is repaid by tax credits.

Public Benefit from Tax Credit
 Low Income Rental Housing
 Historic Building Restoration
 Solar or Alternative Energy
 Research

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Community Development Financing by Type

- Private and Bond Financing Tools

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Debt Financing

- Community Development Finance Institutions (CDFIs)
 - Nonprofit CDFI lenders specialize in making loans to other nonprofits that provide essential social services to their communities, create jobs, and work to improve the lives of low income populations
 - CDFI loans today average in the 5-7% range
 - Loan terms tailored to meet the needs of the nonprofit borrower.
- Traditional Banks
 - Community Reinvestment Act requirements
 - Relationship-based
 - Loan terms and borrower requirements may be more strict than CDFIs
 - Interest rates typically lower for qualified borrowers

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43

California Infrastructure and Economic Development Bank



I Bank Mission

- Finance public infrastructure
- Promote a healthy climate for jobs
- Contribute to a strong economy
- Improve the quality of life for California communities
- [http://www.ibank.ca.gov/contact.h
tm](http://www.ibank.ca.gov/contact.htm)

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Community Development Financing by Type

- Philanthropic/Foundations

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45

Program Related Investments (PRIs)

PRIs are loans made from foundations or nonprofits

- Can be below market, despite risk rating, but not always!
- Just like lenders, the PRI maker will have the following considerations:
 - sound management and good organizational structure;
 - sound financial history;
 - a well thought-out and complete business plan;
 - demonstrated need for capital that cannot be met in the market;
 - demonstrated ability to repay loans
 - other lenders and/or investors are part of the project; may serve as capital campaign bridge
 - demonstrated that the enterprise has a social objective(s); and
 - the project enhances a program area of the Foundation

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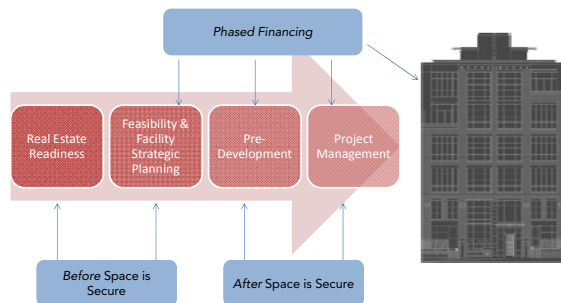
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47

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48

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50

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51

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52
