



Community Reinvestment Fund, USA

New Markets Leader

Spring 2005

Capital for Communities—
Opportunities for PeopleSM

MAKING LARGER, MORE CHALLENGING LOANS WITH CRF AND NMTC

By David Scheck,
Executive Director, New Jersey Community Capital

New Jersey Community Capital (NJCC) primarily funds initiatives that cannot obtain financing from conventional markets. Charter schools often fall into this category. It is difficult for these schools to secure attractive loans for facilities with long terms and low interest rates because their charters only last for a limited number of years. In addition, charter schools in New Jersey are unable to access referendum dollars.



David Scheck

When the **Greater Brunswick Charter School** approached us in May 2003 requesting financing to purchase a building, we knew we wanted to help because it was a high-quality school that was having a positive impact on its students. The school – which provides education to students in kindergarten through eighth grade – had moved four times during its first five years of existence, and at that time, its landlord was unwilling to renew its lease, forcing the school to find a new location.

While NJCC was determined to help this school secure a more stable location, we were unable to provide the Greater Brunswick Charter School with a large enough loan to purchase the rehabilitated warehouse it had selected as its new site. That's when we turned to CRF who truly went the extra mile to ensure this deal happened.

Through **CRF's New Markets Tax Credit (NMTC)** loan program, we provided the school a \$1.4 million loan with a low interest rate and 25-year term. With the NMTC loan, the Greater Brunswick Charter School has a lower debt payment, which will save it approximately \$25,000 annually, with a total savings of approximately \$174,000 over the seven-year NMTC compliance period. This reduced payment also is lower than the monthly rent the school was paying at its previous location.

*Greater Brunswick Charter School
Dedication – February 2005*

Additionally, the school now has a more modern educational facility with the capacity to add 100 more students, serving up to 250 children. The new building also can be easily turned into another type of facility, which reduces the risk of the loan for NJCC and CRF.

The success of this NMTC deal is due, in large part, to the fact that both NJCC and CRF are mission-based. This characteristic drove the organizations to work creatively to structure a transaction that has a competitive interest rate and longer terms for the borrower, while at the same time provides value to NMTC investors.

The passion and commitment of the people involved in this charter school deal also contributed greatly to its success. A number of individuals deserve special recognition for their hard work, including Brian Keenan of NJCC, Kevin Riba and Lynne Rudolph of CRF, Rick Pressler of Greater Brunswick Charter School, and the families and friends of the Greater Brunswick Charter School.

In summary, I encourage all lenders who require additional capital to finance a particular initiative to contact CRF and consider its NMTC Business Loans. CRF always shows a complete willingness to consider the specifics of a deal and will do all it can to make the deal a reality.

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Q & A

Please submit questions for possible inclusion in an upcoming newsletter to amanda@crfusa.com.

FREQUENTLY ASKED QUESTIONS

Have there been any other CRF activities related to NMTC?

Recently, CRF and Citibank hosted an NMTC event to showcase and celebrate La Mexicana Tortilla Factory, a family owned small business in Hayward, Calif. The factory is a prime example of a small business that has benefited from the NMTC program through a partnership between CRF and Bay Area Development Co., an economic development corporation in Walnut Creek, Calif.

La Mexicana Tortilla Factory received a \$210,000 loan from the Bay Area Development Co. to purchase a second facility for business expansion. CRF bought this loan from the Bay Area Development Co. with NMTC-qualified equity investments from investors, including Citibank. The Bank of Fremont, a local independent bank, also contributed to the transaction.

La Mexicana's NMTC loan has a low interest rate and 25-year term, which results in a lower debt payment for the factory. This reduced payment is estimated to save the factory \$4,000 annually, with a



Ribbon Cutting at La Mexicana Tortilla Factory Event

total savings of \$28,000 over the seven-year NMTC compliance period. In addition, the loan will allow the tortilla factory to create five new jobs and increase business in an underserved community.

On Thurs., Feb. 17, 2005, executives from Citibank, Bay Area business leaders, the Mayor of Hayward and representatives from CRF and the Bay Area Development Co. gathered to recognize the NMTC success at La Mexicana. The fiesta event generated significant attention from media, and helped educate community business leaders and government officials about how NMTC is spurring small-business growth in an underserved San Francisco Bay Area neighborhood. Richard Ventura, executive director of the San Francisco Hispanic Chamber of Commerce and commissioner of the San Francisco Small Business Association, served as the master of ceremonies. Frank Altman, president and CEO of CRF, executives from Citibank and others spoke at the event.

MEASURING SUCCESS

\$72.5M Deals to Close

\$32.0M Deals in the Pipeline

\$6.5M Deals Approved

\$3.8M Deals Closed

TRACKING PROGRESS

COMMITTED TO FUND THROUGH JUNE 2005

Deals Closed Winter 2005

Amount: \$3,760,700

Eight loans between \$158,000 and \$700,000.

Deals Approved

Amount: \$5,600,000

Four loans between \$700,000 and \$2.5 million.

These loans are located in Texas, Minnesota, Pennsylvania and Arizona.

Deals in the Pipeline

Amount: \$31,863,600

These loans – currently in the review process at CRF or lending partners – are being prepared to submit.

UPDATES

■ NMTC deal sheets provide detailed examples of various transactions around the country. Our lending partners tell us the deal sheets are a very helpful resource. You can request copies by contacting amanda@crfusa.com.

■ Remember to check the ExtraNet for important New Markets information.