



**HOMES
JOBS
COMMUNITY**

FINANCING STRATEGIES FOR GROWING MANUFACTURING SECTOR
Delaware Innovation Space – Wilmington DE
Flex N Gate – Detroit MI
2019 CDFA National Summit

National Development Council

Who We Are

- 50 year old National non-profit
- Works in over 100 communities
- “Increase the Flow of Capital in Underserved Areas”
- Creates EDF systems
 - Business credit
 - Investment real estate
 - Affordable housing
- Deal structuring, negotiation and loan packaging
- Finance and development affiliates
 - Training – EDFP and HDFP
 - Tax Credit Syndication – Historic, LIHTC, NMTC
 - Small Business Lending – Grow America Fund
 - Public Private Partnership (P3) for social infrastructure

NDC

...

Our Work

The National Development Council's (NDC's) mission is to increase the flow of capital to distressed urban and rural communities for investment, jobs and community development.

CAPACITY

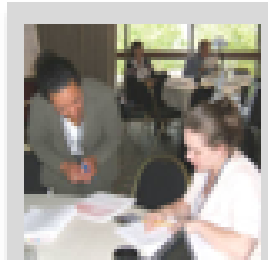
Technical Assistance



Technical Assistance – NDC field directors help define, design and execute development and business finance initiatives

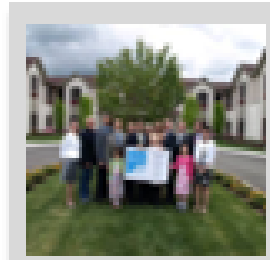
Training — NDC instructors teach skills and knowledge needed to successfully facilitate housing and economic development projects

Training & Certification



FINANCING & DEVELOPMENT

Corporate Equity Fund

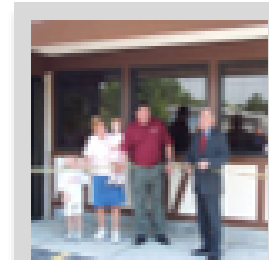


Corporate Equity Fund - NDC serves as a development partner as well as providing syndicated investments in low income and historic tax credits

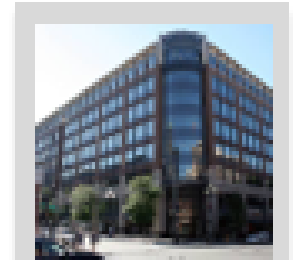
Grow America Fund – NDC creates jobs through SBA lending that focuses on LMI as well as W/MBE businesses

Housing & Economic Development Corporation (HEDC) – NDC finances and builds community and public facilities on behalf of our client communities through public-private partnerships and new markets tax credits

Grow America Fund



HEDC



Financing Strategies for the Growing Manufacturing Sector



Delaware Innovation Space
Wilmington DE



Flex N Gate
Detroit MI

Context for Delaware Innovation Space

Historical Base

Approach

Public and private officials looking to transform and diversity economic base

Public Private Partnership

Historical base

Manufacturing

- DuPont, Chrysler, GM, etc.

Banking

- Discover, JP Morgan Chase, Capital One

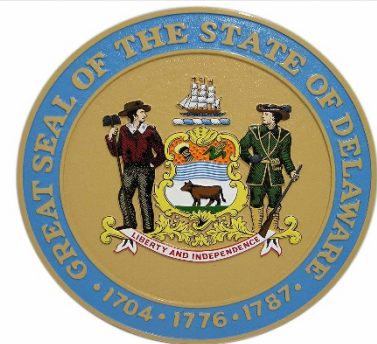
Today

Auto Industry gone

Chemical industry transformed

Banking industry continues

Delaware less able to compete to attract large companies w incentives

The Discover logo features the word "DISCOVER" in a bold, black, sans-serif font. The letter "O" is replaced by a stylized orange and yellow globe.The University of Delaware logo consists of a large, blue, stylized letter "D" on the left. To its right, the words "UNIVERSITY OF DELAWARE" are written in a blue, serif font, stacked in two lines.

Help enhance the State's competitiveness w targeted industries for economic growth

Delaware Innovation Space



130,000 SF of multi-use lab space

Targeted Industries

- industrial biotech
- advanced materials
- chemical ingredients
- renewable energy,
- nutrition, and
- healthcare science-based businesses



Delaware Innovation Space

- Located at DuPont's Experimental Station
- Shareable, flexible-term, all-inclusive state-of-the-art lab space.
- Access to leveraged equipment
- Connections early-stage investors and venture capitalists.
- Brainstorming opportunities with peer scientists and business leaders.



Financial Approach

Equity Equivalent (EQ2) Investment

In lieu of grant (no CRA credit), Discover Bank makes equity equivalent investment (EQ2) to NDC's Community Development Financial Institution (CDFI)

Community Reinvestment Act (CRA) Credit

With EQ2, NDC's CDFI makes low interest loan

Issue: Not in low income census tract

Solution: "Targeted Population"

- Early stage tech companies that lack access to patient capital
- "Third party" objective report

Capital Structure for DE Innovation Space		
DuPont *	\$1,500,000	11%
State of Delaware	\$5,000,000	36%
University of Delaware	\$1,500,000	11%
U.S. EDA	\$3,000,000	21%
Equity Equivalent Investment (EQ2) **	\$3,000,000	21%
TOTAL	\$14,000,000	100%
* DuPont also contributes building and tenant improvements		
** Discover Bank to NDC's CDFI		

How EQ2 Works for Delaware Innovation Space



Equity Equivalent (EQ2) Investment

“Patient Capital” product for CDFIs and their investors

Intended to

- Strengthen capital structures
- Leverage additional debt capital
- Increase lending and investing for disadvantaged communities

Terms of EQ2 for Innovation Space	
Amount	\$3,000,000
Lender	NDC Community Impact Loan Fund
	Community Development Financial Institution (CDFI)
Rate	Interest only
	1.50%
Principal Repayments	Performance Based
	Tied to financial metrics
Uses of Funds	Capital Expenditures
	Tenant Improvements
Use of Repayments	Other eligible CRA activities
	Small business lending as part of Grow Delaware Fund

EQ2 BASICS “Patient Capital”

Qualities of EQ2

1. Carried as an investment
2. General obligation of CDFI but not secured by its assets
3. Fully subordinated to all of other creditors
4. Does not give right for investor to accelerate payment
5. Interest rate not tied to the interest received by CDFI
6. Rolling term and indeterminate maturity

Other Characteristics

- Eventually be repaid
- Requires interest payments during term
- Below market interest rate
- Accounting
 - “Other Asset” for Investor
 - “Other Liability” for CDFI
 - Patient Liability
 - Similar to **subordinated officer debt** on business balance sheet



Accelerating Science Entrepreneurs & Businesses



Capital

- Connections to Investors & VCs
- Direct Investment
- Grant Assistance



Capabilities

- Facility w/ Private Lab Space
- Shared Equipment
- Loaned Equipment
- Support of Diverse Science



Coaching

- Business De-Risking & Validation
- Technical Support & Guidance
- Fund Raising Strategies



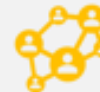
Continuity

- Grow & Scale operations & team without needing to relocate



Community

- Talent Connections
- Mentor Networks
- Ecosystem Access & Support
- Events & Activities



Customer Connections

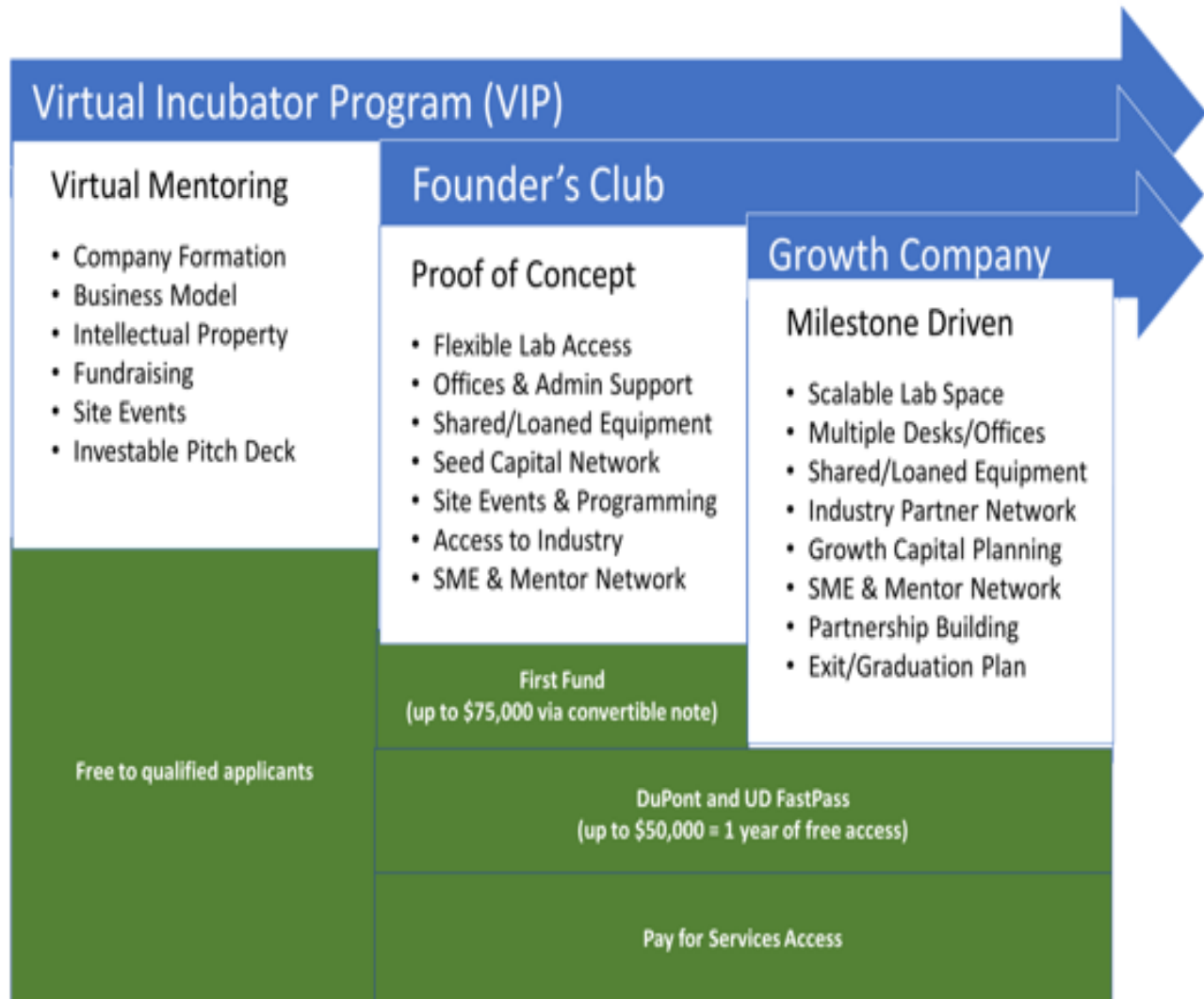
- Access to companies seeking new products & services

Enable Start-ups to Grow Faster

**Experts
&
Facilities**



**Flexible
Funding**





Impact Update



>30

*Companies
Supported**



>240

*Jobs
Created or
Retained**



>\$130M

*Capital Raised
by our Startups**



88%

*DISI Overall
Occupancy***

Flex N Gate



Flex N Gate Auto Parts Manufacturer

Detroit MI

\$500,000 \$232 million expansion

Flex-N-Gate

Detroit, Michigan

- a leading manufacturer and supplier of components for the automotive industry
- \$235 million 500,000 square foot facility strategically located facility on Detroit's East Side
- 1st auto parts manufacturing facility to open in Detroit in 20 yrs.
- \$235 million cost
- \$41 million NMTC allocation
 - 5 Community Development Entities
 - @ \$9 million net to fund M/E

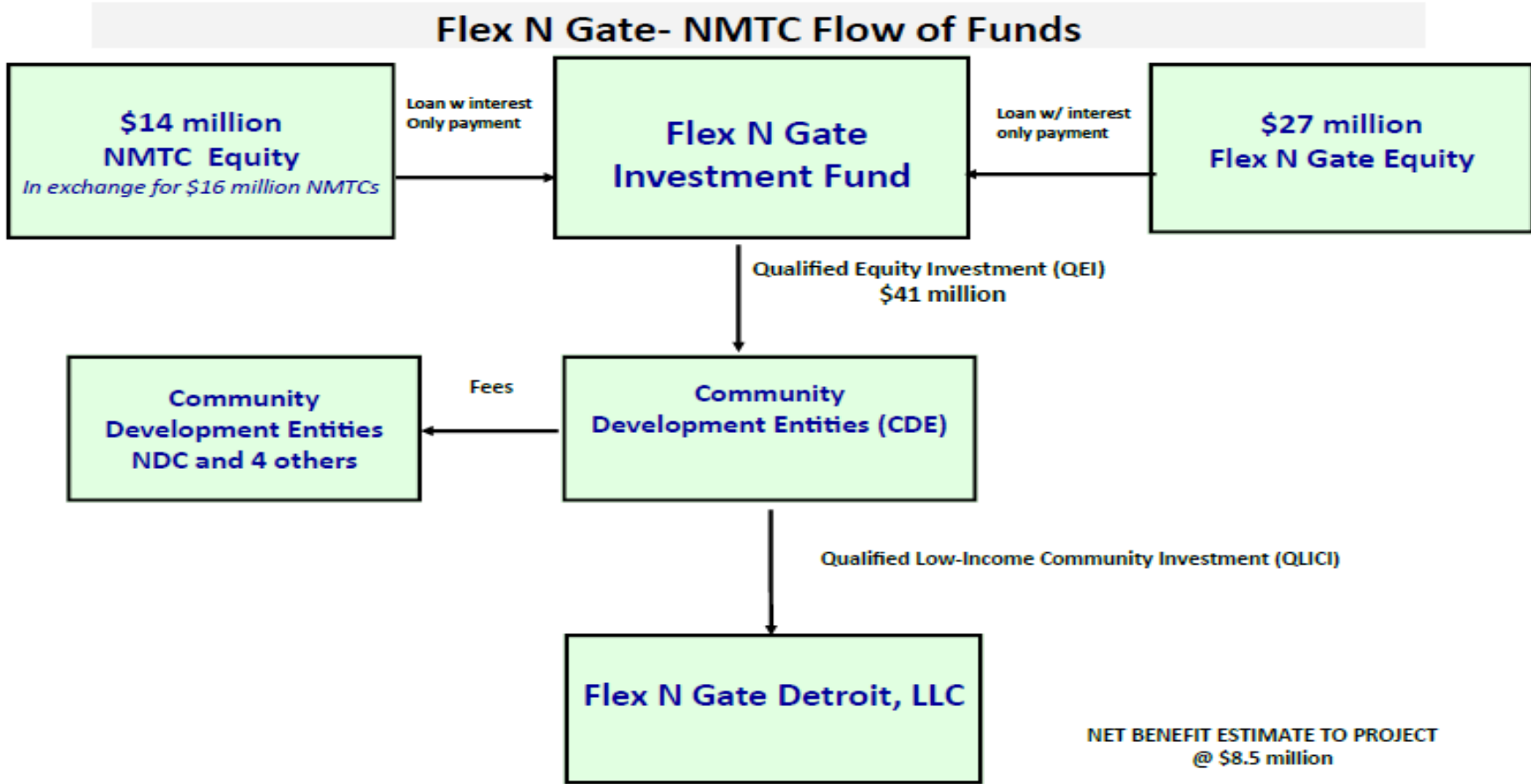


Flex-N-Gate Community Impact

- 500 permanent automotive jobs
- Will grow to 800 jobs at full capacity.
- > 50% of its workforce from City Detroit
- With favorable financing from NMTCs, owner could dedicate expenditures needed to finance
 - workforce training
 - literacy training
 - Childcare
- Demographics
 - 51% poverty rate
 - Unemployment 3.5x national average



Flex N Gate NMTC Flow of Funds



Kevin F. Gremse
Senior Director
National Development Council
212 682 1106
kgremse@ndconline.org

0 TO RATED IN 1 YEAR

*The Accelerator - Warren County Port Authority
CDFA National Summit - 2019*



regionalism

location

stats

next

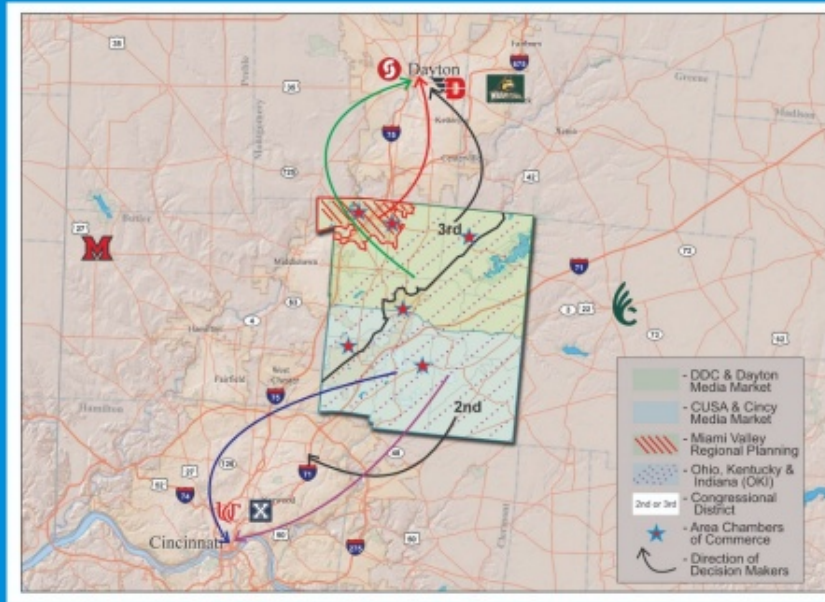
regionalism

the theory or practice of regional than central systems of administration or economic, cultural or political affiliation

location

stats

next



71 & 75

2nd or 3rd

\$27 million

4th Overall

60%

\$1.3 billion

700,000

3.7%

\$114,522

68.4%

11,092

\$1.7 billion

Warren County
Small Business Alliance



2015
DC • FLY-IN




CAPITOL
DRIVE

Warren County
Small Business Alliance




CAPITOL
DRIVE

Warren County
Small Business Alliance



W ?



W
CAPITOL
DRIVE

0 TO RATED IN 1 YEAR

*The Accelerator - Warren County Port Authority
CDFA National Summit - 2019*



conditions

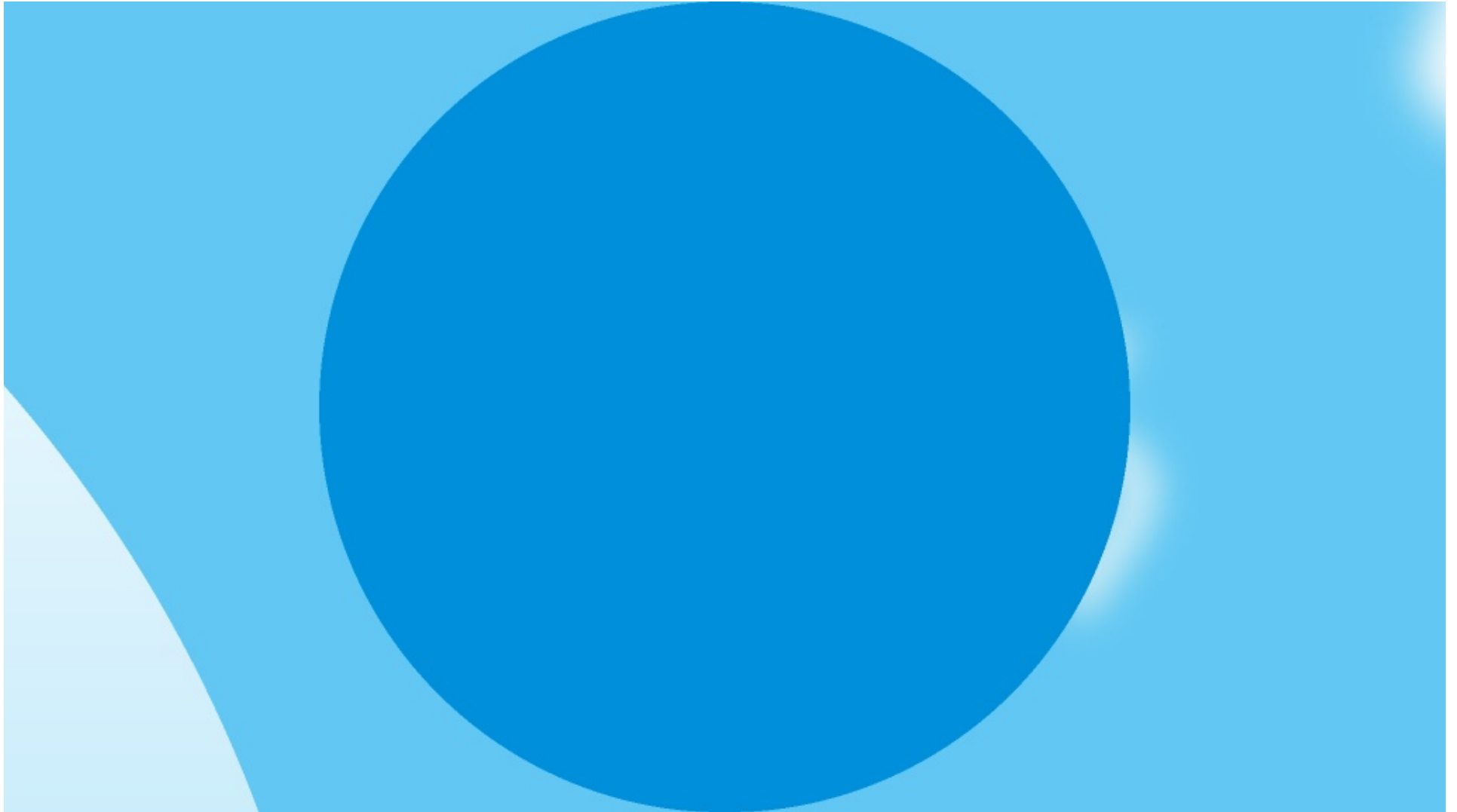
1-equitable
county-wide

2-drives economic
development

options

decision

niche





INCUBATOR



INCUBATOR



PUBLIC TRANSIT



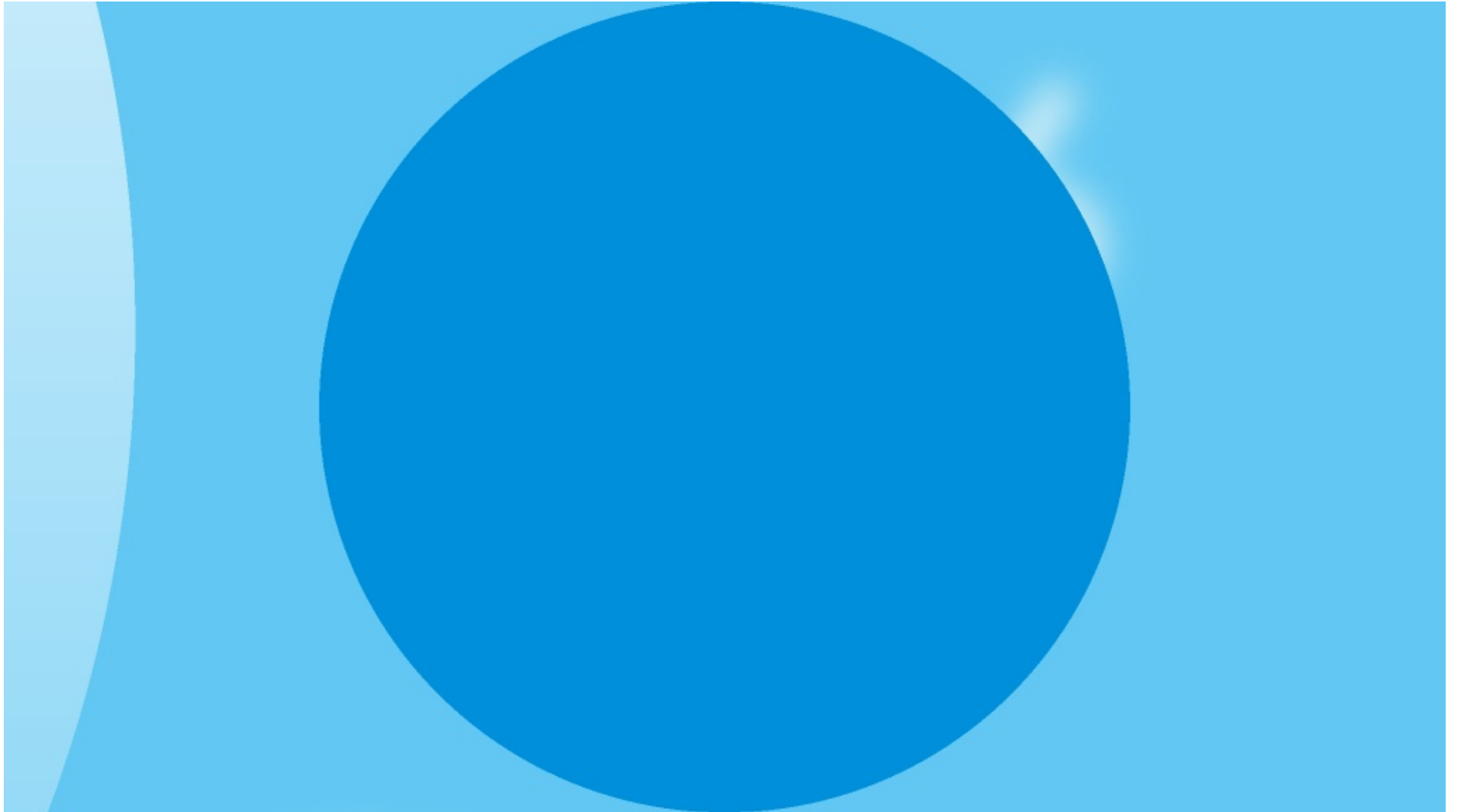
INCUBATOR



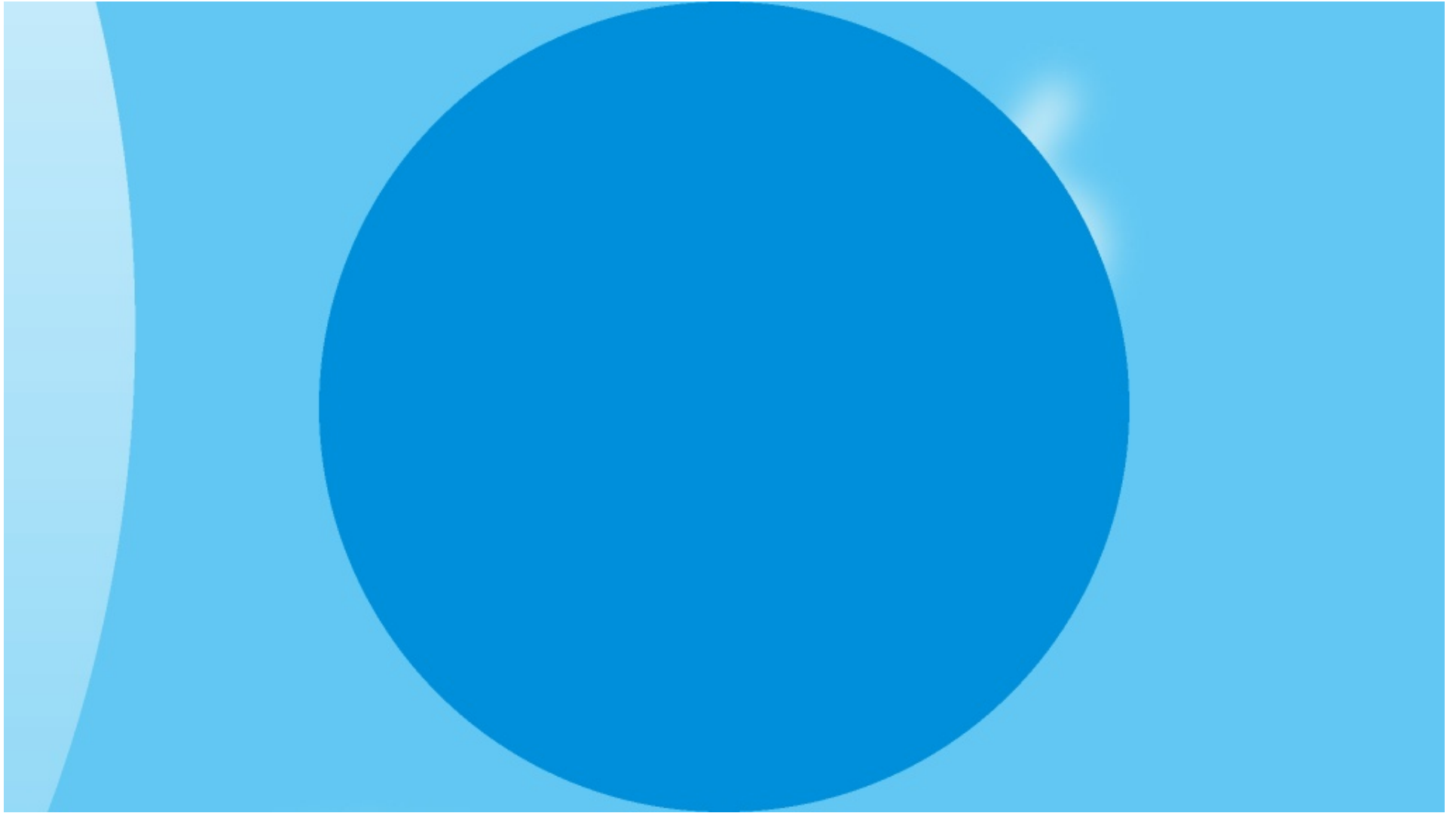
PUBLIC TRANSIT

WORKFORCE
GRANTS









BOARD CONSIDERATIONS

port upfront investment - \$1M
expenses (operational & project)

no state money

risk factors

extra-territorial service

local political factors

NICHE & SPEED TO MARKET

smaller deals (including re-fi)

government backed credits

strong local relationships

backlog of projects

0 TO RATED IN 1 YEAR

*The Accelerator - Warren County Port Authority
CDFA National Summit - 2019*



**how do we start a bond
fund from scratch?**

community
support

business
proposition

minor
details

community support



Warren County, Ohio



Covention and Visitors Bureau



City of Middletown
(Butler and Warren Counties)



City of Monroe
(Butler and Warren Counties)

business proposition

new project financing(s)

refinance existing bond issues

debt management tool for local governments

ease of use for project financing

speed to market

inclusion of all



i want a rated bond fund in one year!

- 1** **get the right professional team**
everyone had to be invested
- 2** **warren county port board buy-in**
willing to invest \$1m of reserve funds
- 3** **willing loc bank**
Key Bank \$2m loc
- 4** **proper oversight**
credit committee, policies and procedures

0 TO RATED IN 1 YEAR

*The Accelerator - Warren County Port Authority
CDFA National Summit - 2019*



how?

- statutory authority
- program approval (WCPA)

docs

compliance



- indenture
- resolution (each series)
- agreements (each series)
- revenues
 - gov't revenue pledge
 - tax pledges
 - tif
 - special assessment
 - PACE
- bond
- offering document
- opinions



post-closing reporting & compliance

- state audit procedures
- federal tax law
- federal securities law



0 TO RATED IN 1 YEAR

*The Accelerator - Warren County Port Authority
CDFA National Summit - 2019*



Standard & Poors rating

August 19, 2019 BBB-/Stable

positives:

- deal type
- three p's
- pipeline/flow

growth opportunities:

- lack of history
- reserve size
- lack of diversity (geographic)

Summary:

Warren County Port Authority, Ohio; State Revolving Funds/Pools

Credit Profile

US\$5.95 mil public infrastructure rev bnds (West Milton Stillwater Crossing Proj) ser 2019D-1 due 02/01/2052

Long Term Rating	BBB-/Stable	New
------------------	-------------	-----

Rationale

S&P Global Ratings assigned its 'BBB-' rating to the Warren County Port Authority, Ohio's series 2019D-1 public infrastructure revenue bonds and development revenue bonds. The bonds are being issued for use by the authority's Ohio Communities Accelerator Fund. The outlook is stable.

The rating reflects our assessment of the authority's following characteristics:

- Adequate enterprise risk profile because, although the program is not specifically authorized by statute, the authority was formed pursuant to state statutes; in addition, the accelerator fund only serves borrowers within Warren County.
- Adequate financial risk profile, reflecting its loss coverage score, operating performance, and financial policies; and
- Overriding negative adjustment to account for factors related to the small size of the fund and rating volatility that could occur if our view of the fund's operating or financial performance changes. Because the fund only has 10 unique security pledges from borrowers, if the fund experiences payment delinquencies from just one borrower or declines in size to less than 10 unique pledges, there could be significant downside rating potential.

0 TO RATED IN 1 YEAR

*The Accelerator - Warren County Port Authority
CDFA National Summit - 2019*



NEXT "7.0"

0 TO RATED IN 1 YEAR

*The Accelerator - Warren County Port Authority
CDFA National Summit - 2019*

