Join our Borrowing from LISC Webinar
November 19, 2019 @ 2:30 PM EST

Questions? Comments? Please send us a message throughout the presentation via Webex Q & A
Speakers

Connie Max
Senior Vice President, Lending

Malini Nayar
Vice President & Chief Credit Officer, Lending

Alex Dawson
Community Development Officer, LA LISC

Noam Hurvitz-Prinz
National Underwriter, Lending

Moderator

Norman Trepner,
National Underwriter, Lending
Initial Poll for the Listeners

Question 1
Are you currently a partner with LISC and have a local LISC contact in the field?

Answers
a) I am from an organization that has not previously worked with LISC but interested in doing so!
b) I recently have been in discussions with a LISC contact but it is a new relationship.
c) The organization I represent is a long-term LISC partner.
d) I am a local government partner.
e) I am an employee of LISC.

Question 2
Have you borrowed from LISC before?

Answers
a) Never before, in any capacity.
b) We have received Technical Assistance, grants, or have worked with one of your affiliates (National Equity Fund “NEF” and/or New Markets Support Corporation “NMSC”).
c) A few recent loans, or some loans a long time ago.
d) Many loans for many years!
e) I am an employee of LISC.
Webinar Agenda

- Brief intro to Local Initiatives Support Corporation and how our departments function together
- Available LISC loan products and examples of our project categories
- LISC application checklist and due diligence expectations
- Outline of LISC loan monitoring and asset management
- Questions and/or comments
Overview of LISC
Since 1979

$20 Billion Invested

$60.4 Billion Leveraged

400,500 Homes
Affordable homes built and/or preserved including:
- Multifamily rental
- Supportive housing for special populations such as chronically homeless, LGBTQ, seniors and veterans
- Affordable homeownership

We also emphasize sustainability through green, healthy housing and transit oriented development

67 Million Square Feet
Square feet of commercial, retail and community space built and/or preserved, including:
- Early childhood centers
- Schools
- Fields/recreational spaces
- Healthcare centers
- Grocery stores
- Financial Opportunity Centers

$323 Million Total Net Assets as of FYE 2018
- Net worth has increased 48% in the past 5 years
- Closed on more than $1.7 billion of debt transactions with NO defaults
- Raised $98 million in private grant funds in 2018

S&P ‘AA-’ Rating
LISC CDFI tapped the public bond market, with a $100 million issuance in 2017
LISC has been a certified CDFI since 1996 and an ImpactAssets 50 Fund Manager for four consecutive years

$20 Billion Invested

$60.4 Billion Leveraged
Our Impact

Since 1979, we’ve created opportunities for people to thrive.

400,500 affordable homes for more than a million people

439 schools and early childhood centers for 100,000+ students

391 fields and recreational spaces for more than 600,000 kids

90 financial opportunity centers serving 79,000 people over the last five years

188 food and health-related projects serving thousands of families

Plus 100s of other retail, arts and community projects
Our Reach

2,100 Partners

Our national network includes nonprofits, businesses and government agencies in both rural and metropolitan areas.

3 National Affiliates

National Equity Fund www.nefinc.org
New Markets Support Company www.newmarkets.org
immito www.immito.com

35 Office Locations

Atlanta, GA
Boston, MA
Buffalo, NY
Charlotte, NC
Chicago, IL
Cincinnati, OH
Denver, CO
Detroit, MI
Duluth, MN
Flint, MI
Hartford, CT
Greenville, SC
Hampton Roads, VA
Honolulu, HI
Houston, TX
Indianapolis, IN
Jacksonville, FL
Kalamazoo, MI
Kansas City, MO
Los Angeles, CA
Milwaukee, WI
Minneapolis/St. Paul, MN
New York, NY
Newark, NJ
Peoria, IL
Philadelphia, PA
Phoenix, AZ
Providence, RI
Richmond, VA
San Antonio, TX
San Diego, CA
San Francisco, CA
Seattle, WA
Toledo, OH
Washington, DC
Our Products

Standard Products
• Predevelopment
• Acquisition
• Construction
• Mini-Permanent
• Permanent
• Bridge
• Lines of Credit (includes working capital, project based and revolving)
• Small Business

Project Types
• Community Facilities
• Mixed Use
• Commercial/Industrial Development
• Affordable Housing
• Charter Schools

Visit lisc.org/lending for more information
LISC Core Lending Products
## National Lending Products

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Predevelopment</th>
<th>Acquisition</th>
<th>Construction</th>
<th>Bridge</th>
<th>Line of Credit</th>
<th>Mini-Permanent</th>
<th>Permanent</th>
<th>Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>To pay due diligence expenses, deposits, and other early phase costs</td>
<td>To pay purchase price and closing costs for property Acquisition</td>
<td>To pay hard and soft construction costs for new or renovation projects</td>
<td>To bridge the timing gap between project or program costs and receipt of cash from committed sources</td>
<td>To provide flexible capital to meet organizational cash flow needs or pay project-based expenses</td>
<td>To provide longer-term loans for projects requiring stabilization or interim financing</td>
<td>To provide long-term, fully amortizing financing</td>
<td>Equipment, Leasehold Improvements, Remodel/Expansion, FF&amp;E</td>
<td></td>
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</tbody>
</table>

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<tr>
<th>Investment Amount</th>
<th>Up to $1,500,000</th>
<th>Up to $8 million</th>
<th>Up to $8 million</th>
<th>Up to $5 million</th>
<th>Up to $5 million</th>
<th>Up to $8 million</th>
<th>Up to $8 million</th>
<th>Up to $500,000</th>
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<tr>
<th>Collateral</th>
<th>Some flexibility; generally secured; required above $500,000</th>
<th>Real estate collateral with LTV of up to 90%</th>
<th>Real estate collateral with LTV of up to 90%</th>
<th>Bridge receipts and/or real estate collateral</th>
<th>Flexible; generally secured</th>
<th>Real estate collateral with LTV of up to 90%</th>
<th>Real estate collateral with LTV of up to 90%</th>
<th>UCC on business assets; lien on equipment</th>
</tr>
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<tr>
<th>Interest Rate</th>
<th>5-7%</th>
<th>5.75%-7.5%</th>
<th>6.25%-8%</th>
<th>6-10%</th>
</tr>
</thead>
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<tr>
<th>Term (Years)</th>
<th>Up to 3</th>
<th>5-7</th>
<th>Up to 15</th>
<th>Up to 10</th>
</tr>
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<tr>
<th>Project Type</th>
<th>Arts, Charter Schools, Child Care, Commercial Real Estate, Community Facility, Health Facility, Housing Homeownership, Housing Rental, Nonprofit Social Enterprises</th>
<th>Small Business</th>
</tr>
</thead>
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<tr>
<th>Recourse</th>
<th>Required</th>
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<tr>
<th>Guarantee</th>
<th>Corporate Guarantee Required; Personal Guarantees required for For-Profit entities</th>
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<tr>
<th>Fees</th>
<th>Up to 1.5% + Legal Fees</th>
<th>Up to 3% + Legal Fees</th>
</tr>
</thead>
</table>
Risk Based Pricing

Risks: Term < 5 years, Term 5 – 10 years, Term > 10 years

II or III: 5.00%, 5.75%, 6.25%
IV: 6.00%, 6.75%, 7.00%
V: 7.00%, 7.50%, 8.00%

Some subsidies can be used to blend down rates, subject to availability

Fees

• **Documentation Fee** = Lesser of $5,000 or half closing fees
• **Closing Fee** = Up to 1.5% of Loan Amount (Small Business loans up to 3% of loan amount)
• **Legal Fees** = Varies based on loan type
LISC Funding Sources

- Foundations and other institutions
- Government and Public Agencies
- Insurance Companies
- Bond Issuance
- National Banks
Project Examples
Sarah’s Circle

Washington D.C.

Sarah’s Circle sought a $550,000 predevelopment loan from LISC for the renovation of their existing senior housing property in the Adams Morgan neighborhood of Washington, D.C. Sarah’s Circle has been in operation for 31 years, serving very low income senior citizens. The property, built in 1917, was in need of capital investment, but in decent condition. In addition to undertaking a thorough modernization, Sarah’s Circle will reconfigure the 34 unit building into 49 units, providing housing for an additional 15 seniors.

This project preserved 34 units of affordable housing and created 15 new apartments in an increasingly affluent neighborhood. The renovations ensured that the structure is sustainable for the long-term, while the new financing will bring a covenant to ensure that the building remains affordable for 40 years.
Paramount Square

Paramount Square is a mixed-use project that will renovate 2 buildings located on two sides of McMillan Ave near the corner of Gilbert Ave. These properties are part of Peeble’s Corner Historic District in Walnut Hills, once of LISC Greater Cincinnati’s Building Sustainable Communities neighborhoods.

Cincinnati, OH

Paramount Square is being developed by The Model Group in partnership with the Walnut Hills Redevelopment Foundation, the neighborhood CDC.

Per NMTC regulations, 3 of the 15 apartments will be restricted for households at or below 80% AMI. The remaining units will be market rate. The project will further the redevelopment of the East McMillan commercial corridor with rehabilitated commercial storefronts while also bringing in new daytime users and residents.

NMTC Investor and CDEs are committed (Chase and Cincinnati Development Fund). Other sources of financing include city funds from a TIF district (committed) and federal historic tax credit equity.

15
Residential Apartments

44,984
square feet of commercial space

$1.99 million & $582,929
Construction & Mini-Perm Loans within a NMTC structure

$8.7 million
Total Development Costs
Mariano’s Bronzeville

In 2015, the Chicago Neighborhood Initiatives (CNI) partnered with the Safeway Construction Corp for the construction of the $26M Mariano’s Bronzeville development. The project was a 74,184 square foot grocery store in the Bronzeville suburb of Chicago.

LISC provided a $1.5 million construction loan through our healthy food financing initiative (HFFI). At the time, LISC had been working with CNI to come up with opportunities to increase funding for retail development. This project aligned with two of LISC’s broader development strategies. First, the development was located in a designated Building Sustainable Communities zone, a low-income neighborhood where revitalization was desired. Second, the construction of a grocery store qualified the project for HFFI funding. Using a portion of the HFFI grant, LISC was able to blend down the interest rate for the loan.

Chicago, IL

$1.5 million
Construction loan with HFFI

$26 million
Total Development Costs

74,184
square foot grocery store – commercial space
Ingraham Development

Los Angeles, CA

As the oldest nonprofit supportive housing developer in Los Angeles, Single Room Occupancy Housing Corporation (SRO Housing) is a non-profit, community-based organization dedicated to building a vibrant community and empower their residents.

Ingraham Development will include the new construction of a six story multi-family affordable permanent supportive housing project to accommodate a total of 120 affordable units. 60 units will be set aside for those experiencing chronic homelessness and affordable to households earning up to 30% AMI with 45 of those set aside for veterans and 15 set aside for individuals experiencing homelessness. The remaining 60 units will be affordable to households 60% AMI.

LISC purchased a participation interest from Corporation for Supportive Housing, a fellow CDFI, for this project. The $45.3 million in total development costs will be financed through Low Income Housing Tax Credits, city grants and commercial bank debt.

$5.4 million
Acquisition financing

$45.3 million
Total Development Costs

120
Supportive Housing Units
Stage 1: LISC Local Office
Project Concept to Reality
Core Components of LISC Investing

**Project & Purpose**
- What do you want to do and why?
- How will this benefit a low-income area and residents in a tangible way?

**Relationship**
- **Historic partnership** – advantageous and something LISC works to cultivate
- **New partnership** – LISC is constantly interested in creating new partnerships

**Money in/Money Out**
- How will LISC dollars flow into the project?
- Stage of funding of your project
- Repayment Source, Event, Timing
What Gets LISC to “Yes”

Charitable purpose is clear and compelling
• AMI restrictions, job creation and/or preservation
• Located in LISC footprint or in a low-to-moderate-income area (including New Markets or Opportunity Zone Census Tracts)

Structure resembles a loan
• Does it look and act like a loan?
• Collateral is available and repayment event is identified
• LISC’s loan is treated as a loan; not a grant

Momentum
• Neighborhood stakeholders and political climate is support of the project
• Capacity considerations: on staff, consultants, partnerships
LISC Application Checklist

A. Project Information and Financing

- Development Budget (Sources and Uses): List of project funding sources and status; include copies of existing funding commitments.
- Operating Pro Forma: Covering a minimum of 7 years depending on project type.
- Project Timeline: Include timeline for acquisition, subsidy approval, zoning or permit approval, construction start/end dates, and lease-up and/or sales.
- Development Team: Contact information, qualifications, for all members (Co-Developer, Development Consultant / Owner’s Rep, General Contractor and Architect, Construction Inspector, Property Management Company, Borrower’s Attorney).
- Site Control Status: Indicate who currently owns the property; or whether it is in a purchase agreement and between which parties.

B. Financial Information of Organization

- Auditor’s Letter: Auditor’s letter, and in cases where the auditor has identified findings, management letter including a plan to remedy areas of concern.
- Financial Audits and A-133 Audit: Audited, unconsolidated financial statements that present the “parent-only” (i.e. borrower) financial position for the past 3 years; include consolidating schedule.
- Internal Financial Statements: Financials that are at least 90 days within application date including statement of financial position; statement of activities; statement of cash flows; and projected cash flows for the upcoming 24 months.
- REO Schedule: Schedule of real estate including value (and how it is determined), real estate debt, borrower’s share of equity, NOI, debt service, cash flow, borrower’s share of cash flow and current occupancy.
- Outstanding Obligations: List of outstanding obligations, if any (list should include lender, current loan balance or credit limit, and monthly payment).
- Aging of Receivables and Payables: Current schedule within 30 days of application.

C. Third Party Reports Required

- Market Study: Third party study on marketing focus, target population, etc.
- Appraisal: Status of ordering, or if already completed, then provide a copy.
- Zoning Status: Current status including any requirements needed to change zoning, use of permits, or variances.
- Plan and Cost Review: Schematics or drawings and cost review, if applicable.

D. Organizational Information and Board Approval Requirements

- Sponsor Overview: History, purpose, mission and summary of development experience. Include annual reports, if available.
- Organizational Context: Focus area, and/or neighborhood served by organization, as well as organization’s strategy or business plan, if applicable.
- Key Staff: Brief bios and their capacity to support project. Include Executive Director/President, Chief Financial Officer/Controller, Project Manager, as applicable.
- Board of Directors List: Include occupations.

E. Additional Requirements for For-Profit Borrowers

- Personal Financial Statement: Signed, current statement for each principal with 20% or greater ownership.
- Credit References: Previous lenders, banks, individuals, other CDFIs.
- Federal Income Tax Returns: Last 3 years (990s or personal tax returns for each party with over 20% ownership).
- Credit Report or Credit Report Authorization: Not more than 6 months old.

Please review the distributed handout “LISC Application Checklist”
Founded in 1988, Venice Community Housing provides affordable housing and supportive services to low-income, homeless and chronically homeless populations on Los Angeles’ west side.

Lincoln Apartments will include the new construction of a 40-unit, four story building that will include approximately 4,800 square feet for a nonprofit tenant – Safe Place for Youth. The facility will provide permanent supportive housing for transition aged youth and tenants who have been previously homeless or chronically homeless. Safe Place for Youth will provide services for tenants. 25 of the units will be affordable to up to 30% AMI; 14 will be affordable up to 60% AMI and there will be one managers unit.

LISC provided a $4.4 million acquisition and predevelopment loan, including $700,000 in Capital Magnet Funds to provide credit enhancement to the project. The $21.4 million in total development costs will be financed through Low Income Housing Tax Credits, city grants and commercial bank debt.
Stage 2: LISC National Office
Local and National Relationship

- Project Identified
- Underwriting
- Loan Approved
- Loan Closed
- Monitoring

**CREDIT APPROVAL**
- Weekly Credit Committee
- Board Portfolio Review Committee approval needed for loans above $5 million
- Full Board approval needed for loans above $8 million

**FINANCE**
- Manages wires & disbursements
- Oversees fiduciary compliance

**LEGAL**
- In-house or external counsel for closing
- Loan Closers serve as contact for closings

**ASSET MANAGEMENT**
- Loan monitoring & portfolio management

**LISC NATIONAL**

**LISC LOCAL OFFICE**
- Conducts due diligence
- Review and discuss transaction with Local Advisory Committee
- Manages ongoing sourcing relationship

**BORROWER**
- Identifies need and project
Core Components of LISC Investing

**Financial Strength**
- Liquidity and Financial Ratios
- Organizational and Personal Financial Statement
- Credit Scores
- REO schedule with NOI and occupancy %

**Deal Structuring**
- Loan to Value
- DSCR
- Cash flow projection

**Organizational Capacity**
- Experience with this project type
- Bandwidth
- Past relationship with LISC

**Collateral**
- Real estate
- Leasehold interests
- Letters of credit
- Earned Developers fees
- Business Equipment

**Take-out Financing & Repayment Event**
- Including market and sensitivity analysis
- Application status of other funding
- Clear and viable Plan B in the case of expected funding gaps
LISC Approval to Closing

- **Speed up your process**

  Send your LISC Program Officer necessary due diligence items in timely manner

  Prepare for possible timing constrains that may be caused by obtaining necessary approvals from stakeholders and other project financing sources.

- **Underwriting**

  Credit Committee occurs weekly

  Portfolio Review Committee occurs bimonthly (> $5 million)

  Board occurs quarterly (> $8 million)

- **Approval**

  Upon Letter of Approval Notification, begin gathering necessary closing items and organizational documents.

- **Closing**

  Return of fully executed:

  1. Loan Approval Notification Letter

  2. Payment of documentation fee via wire transfer

  are both required to initiate drafting documents.
Stage 3: Post Closing & Repayment
LISC Loan Monitoring & Asset Management

- National LISC manages the post-closing relationship with borrowers, including
  - Loan Covenant Reporting
  - Loan Disbursements
  - Electronic Invoices (emailed on the 15th and due on 1st of the month)

- LISC reports annually on loans below $1 million, biannually on loans over $1 million and quarterly for loans that are non-performing

- National will periodically contact borrower(s) for project status updates
Questions ? Comments ?

Send them through the Q&A in WebEx
Contact:
LISC Lending

28 Liberty Street, 34th Floor
New York, NY 10005
lending@lisc.org

Materials Found at:
lisc.org/lending