

## “Nuts and Bolts of Facility Financing - What's Best for Your School”:

<b>Financing Options:</b>	<b>Conventional Debt</b>	<b>New Markets Tax Credits</b>	<b>Bond Financing</b>
<b>Strengths:</b>	<ul style="list-style-type: none"> <li>• Variable loan amounts (no minimum threshold)</li> <li>• Minimal complexity, no need for additional financing consultant</li> <li>• Less expensive (no bond / NMTC counsel fees)</li> </ul>	<ul style="list-style-type: none"> <li>• Interest-only option</li> <li>• Combination of debt and equity leads to an overall lower blended interest rate</li> <li>• Equity forgiveness of roughly 20 – 25%</li> <li>• Longer term (7 years)</li> <li>• Although expensive to close, benefit of equity forgiveness / lower blended interest rate can far outweigh the cost</li> </ul>	<ul style="list-style-type: none"> <li>• Long-term financing (30+ years)</li> <li>• Single transaction for life of loan, no need for refi</li> <li>• Rates can be competitive</li> </ul>
<b>Weaknesses:</b>	<ul style="list-style-type: none"> <li>• Generally amortizing which increases annual cost but lowers refi (may be pro or a con)</li> <li>• Difficult to secure long-term financing –refi risk</li> </ul>	<ul style="list-style-type: none"> <li>• Expensive (high legal fees, sub-allocation fees)</li> <li>• Complex, recommend consultant, unless strong internal capacity</li> <li>• Minimum threshold: Due to expense and complexity, generally best with a minimum of \$5MM</li> <li>• Not all projects qualify, need to be in qualifying census tract</li> <li>• Complicated federal guidelines that project needs to stay within</li> <li>• Refi risk</li> </ul>	<ul style="list-style-type: none"> <li>• Expensive (high legal fees, etc) – but no need for refi</li> <li>• Rates are highly volatile right now</li> <li>• Ratings are not easy to predict</li> <li>• There might be interest rate risk (variable rates, resets)</li> <li>• Complex, recommend consultant, unless strong internal capacity</li> <li>• Minimum threshold: Due to expense and complexity, generally best with a minimum of \$5MM</li> </ul>
<b>Legal or other costs:</b>	<ul style="list-style-type: none"> <li>• Average</li> </ul>	<ul style="list-style-type: none"> <li>• High</li> <li>• Potential need for financing consultant specializing in NMTCs</li> </ul>	<ul style="list-style-type: none"> <li>• High</li> <li>• Potential need for financing consultant specializing in bond executions</li> </ul>
<b>Other recs:</b>		<ul style="list-style-type: none"> <li>• Highly recommend working with legal counsel who specializes in NMTCs (do not want to pay the cost for counsel to get up to speed on this complex</li> </ul>	<ul style="list-style-type: none"> <li>• Work early on with a consultant on credit enhancement and rating, as needed</li> </ul>

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**Low Income Investment Fund**

		<p>program)</p> <ul style="list-style-type: none"> <li>• Highly recommend working with CDEs and / or Investors who have closed multiple NMTCs; will make for smoother process to close</li> <li>• Timing of NMTC transactions is driven by the timing/availability of allocations and when awardees need to commit the credits – discuss the timing clearly before going forward</li> </ul>	
<b>Best option with -- Ground Lease:</b>	<ul style="list-style-type: none"> <li>• Depends on the specific of the lease and what security is available to the lender – check with legal and lender early on</li> </ul>	<ul style="list-style-type: none"> <li>• Depends on the specific of the lease and what security is available to the leverage lender – check with legal and potential financial partners early on</li> </ul>	<ul style="list-style-type: none"> <li>• Depends on the specific of the lease and what security is available to the bond purchaser – check with legal and potential financial partners early on</li> </ul>
<b>SB740:</b>	<ul style="list-style-type: none"> <li>• Structure borrower as separate LLC and have school lease facility from borrower so there is a true operating lease.</li> </ul>		
<b>Prop 1D:</b>	<ul style="list-style-type: none"> <li>• In some cases, financial institutions will bridge Prop 1D (or 47 / 55). Explore potential issues regarding lien security early on (in the context of layering new financing on top of State financing, in some cases).</li> </ul>		