TRAINING CURRICULUM

Module 5
Module #5

Pipeline: If you build a good one, projects will flow

Goal: Discuss pipeline formation, community and board involvement, project screening, early underwriting, and when to walk away.
What are the characteristics of a good pipeline?

- Advances the mission and goals of the CDE
- Meets NMTC program requirements and priorities
- Serves the LIC by advancing as many relevant community development goals as possible
- Projected outcomes are realistic and enforceable
- Fits the skills and capacity of the CDE
- Projects are “real” and ready to proceed.
Assessment of Current Pipeline

Impact on Low-Income Communities you serve:

- Job creation
- Quality jobs
- Jobs accessible to LIC
- Commercial Goods and Services
- Healthy Food Financing
- Community Services
- Financing Minority Business Enterprises
- Flexible lease rates available to nonprofits and MBEs
- Workforce and Affordable Housing
- Brownfields Sites
CDE Mission Priorities

**Match projects to Mission:**

- What change does your CDE want to cause in the LIC, and how does this project advance you toward that goal?

- How do its outcomes compare to other projects in your pipeline in scale, reasonableness, likelihood of being realized, likelihood of project success and sustainability?
CDE Mission Priorities

How do you compare projects that accomplish different things?

Let’s build a checklist.
CDE Mission Priorities

- Scale of Impact
- Ability to Measure
- Relevance to local and regional plans
- Severely distressed tract
- Non-Metropolitan Counties
- Underserved states
- But-for test (be cautious of potential QALICBs in gentrifying census tracts that fail but/for test)
- Distribution of benefits
- Cost of community outcomes
Investigation and Oversight

• **Site Visit** – Why is it important? What should the CDE expect to learn?

• **Board oversight** – When and how to check in with Board members about the pipeline? Why?
Investor appetite

Allocation participation and investment are different issues.

- *Allocation*: CRA, bank customers, general business concerns and priorities.
- *Investment only*: CRA, tax credit appetite, portfolio mix.
Good Fit with CDE Skills, Capacity

For example, are you a good fit with:

- $10 million commercial real estate development in your neighborhood.
- $35 million equipment financing requiring 3 CDEs, in a state where you don’t have an office.
- $24 million operating financing with accounts receivable and inventory financing, 2 CDEs.
Readiness to Proceed – Underwriting at the Pipeline stage

Build an evaluation checklist

- Site control, site control, site control
- Design, Permits
- Entitlements
- Cost
- Sources and Uses in Balance
- Reliable, experienced team
- Market studies, QALICB viability
Readiness to Proceed

Is it a deal or a golden unicorn?

- How much time can you spend to bring a project along with an unskilled development team?
- When should you walk away, and why?
Let’s bring quality community outcomes to our communities

Healthy Food Financing

Community Services, such as health care providers

Quality Jobs

Financing Minority Business Enterprises