

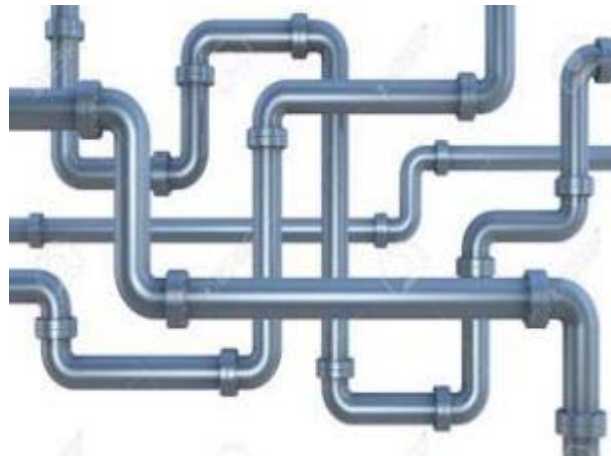


U.S. Department of Treasury  
New Markets Tax Credit (NMTC) Program  
Minority CDE Training & Technical Assistance  
Contract # TFSACDF15C0004

# 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



Quality Jobs



Community Services, such as health care providers



Financing Minority Business Enterprises

