

Opportunity Appalachia - TN Outreach Meeting

Thank You To Our Partners and Sponsors





Opportunity Appalachia

*TN Outreach Meeting
March 6, 2024*

Presentation Preview

1. **Opportunity Appalachia (OA) Overview**
 - Who & What
2. **Opportunity Appalachia Deep Dive**
 - Types of Projects
 - Who Should Apply?
 - Types of Technical Assistance
 - Investor Convening + Project Pitches
 - Requirements
 - Selection Criteria
 - Timeline
3. **Keep Track of Your Questions for the End**

What is Opportunity Appalachia?

- ★ 30 downtown & rural development real estate projects
 - **6 states: KY, NC, OH, TN, VA, WV (Appalachian counties)**
- ★ Provide \$1.8M to fund direct technical assistance
 - **\$40,000 – \$75,000 per project**
 - **Prepare projects for investment**
- ★ Raise over \$150M of new investment for targeted communities

Support downtown and rural development to build entrepreneurial communities, create quality jobs and revitalize local economies

Opportunity Appalachia Leadership



Opportunity Appalachia is supported by funding from:



Appalachian
Regional
Commission



dogwood
health trust



CLAUDE
WORTHINGTON
BENEDUM
FOUNDATION

M&T Bank

What Types of Projects Are Supported?

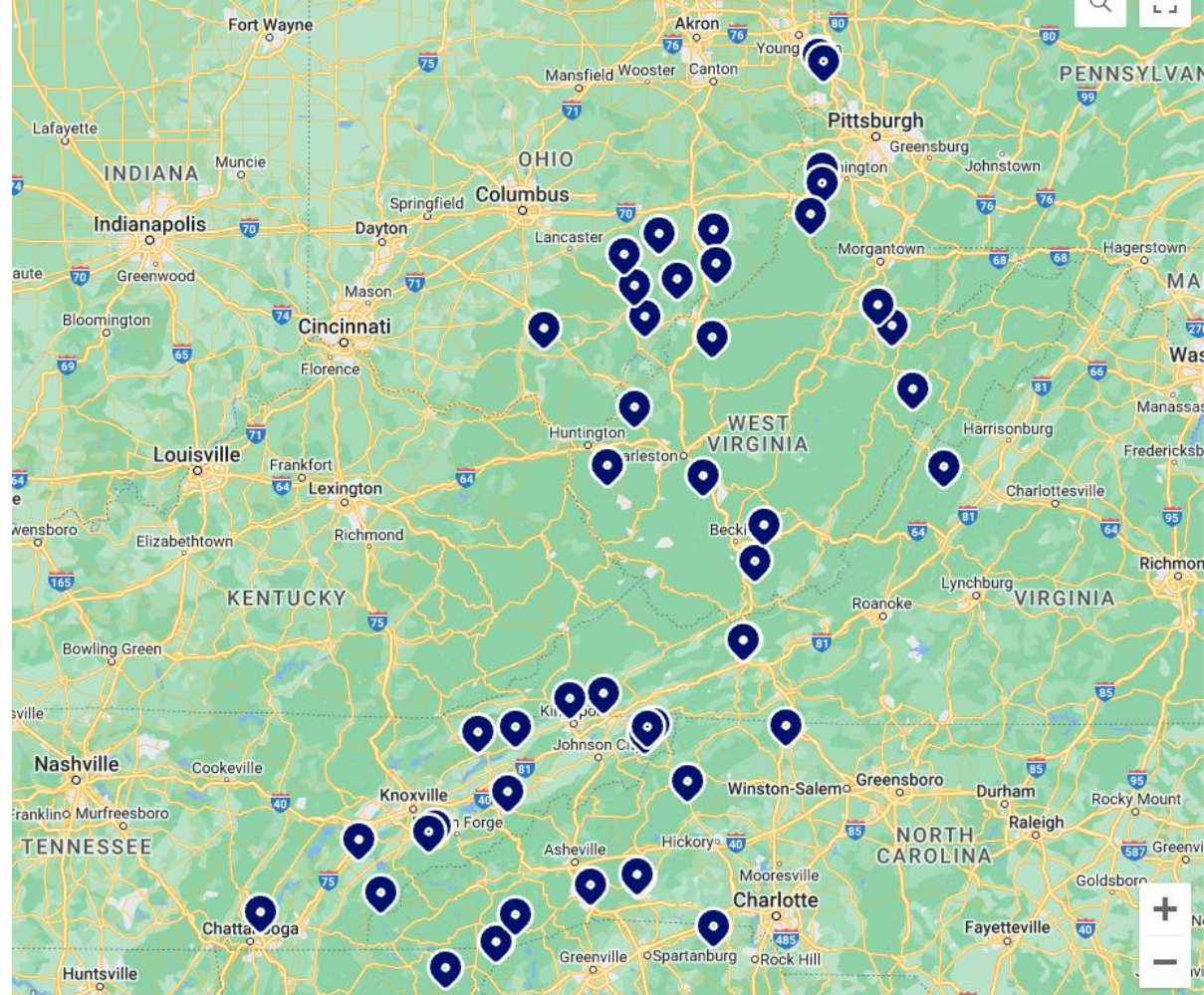
- ❖ Downtown or rural development real estate projects
- ❖ The project is investable, able to be financed

Priorities include:

- Housing
- Downtown development
- Manufacturing
- IT
- Healthcare
- Education
- Food Systems
- Clean Energy
- Heritage Tourism & Recreation

58 Projects Since 2020

- Mixed use: offices, housing, retail, restaurant
- Food system
- Event spaces
- Commercial kitchens
- Outdoor recreation
- Health Centers
- Childcare Centers
- Hospitality



Who Should Apply?

- For-profit Project Sponsors including developers and businesses
- Multi-county regions
- Counties
- Municipalities
- Economic and community development organizations (e.g. Main Street organizations)
- Other non-profit organizations
- Educational institutions

Geographic Eligibility & Priority Communities

All counties in the Appalachian portions of Kentucky, North Carolina, Ohio, Tennessee, Virginia, and West Virginia are eligible, except for ARC-designated Competitive and Attainment counties

All Appalachian counties in TN are ELIGIBLE

Prioritized Communities Include:

- ❖ [ARC-designated Distressed and At-Risk areas](#)
- ❖ [Persistent Poverty Communities](#) (where 20% or more of the population is in poverty over the last 30-yr period)
- ❖ Rural communities – [meeting any federal definitions](#)
- ❖ [Federal Opportunity Zones](#) and [New Markets Tax Credit](#) census tracts
- ❖ ARC-designated [Coal Impacted Communities](#) (dependence, impact, or risk)



Types of Technical Support

**Investment
Prospectus**

**Financial
Projections**

**Financial
Structuring**

**Market
Research**

**Architectural &
Engineering**

**Business Plan
Development**

**Developer
Solicitation**

**Investor
Outreach**

Who Provides the Technical Assistance?

Approved TA Providers

- OA has over 100 TA providers approved
- New providers can get approved
- Projects can identify TA providers

Request for Qualifications for any new or identified providers available on OA webpage.

Connecting with Investors

Dedicated
Outreach by:

- Opportunity Appalachia
- TA teams

Investor
Convening With:

- Project Representatives
- TA providers
- Investors

Public Loan Funds & Grantors



Appalachian
Regional
Commission



VIRGINIA DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT



WEST
VIRGINIA
Economic Development



NORTH CAROLINA
DEPARTMENT of
COMMERCE

Ohio

Department of
Development



Department of
Economic &
Community Development



CLAUDE
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FOUNDATION



Bank Investors



Goldman
Sachs



MainStreetBank



SERVANT

Other Investor Partners



WEFUNDER



Klein Hornig LLP
COUNSELORS AT LAW



Opportunity Zone Investors



Coastal Enterprises



CDFI Partners

KENTUCKY HIGHLANDS
INVESTMENT CORPORATION



Appalachian
GROWTH CAPITAL



fahe
Strength in Numbers



Helping create communities where people thrive



Ownership & Economic Opportunity for All



SOUTH CAROLINA
Community
Loan Fund
Invest in Community

New Market Tax Credit Investors



National Trust Community
Investment Corporation

a subsidiary of the
National Trust for Historic Preservation



The
INNOVATEFUND

Transforming Communities

BRIGHTBRIDGE
CAPITAL
Capital Resources for Business



People inc.

Building Futures, Realizing Dreams™



AMCREF
Community Capital



Requirements

1. Matching Support Required: \$5,000

- a. Funding or in-kind

2. Pay It Forward: Help Sustain Opportunity Appalachia

- a. Projects that successfully close on project financing within three years
- b. Repay OA the lesser of either:
 - i. The total TA award provided by OA, or
 - ii. 1% of the project's closed financing amount

For Example:

A project's TA cost \$50,000. The project closes on \$1MM in financing in year 2.

This project will repay \$10,000. Generally, rolled in as part of their financial closing.

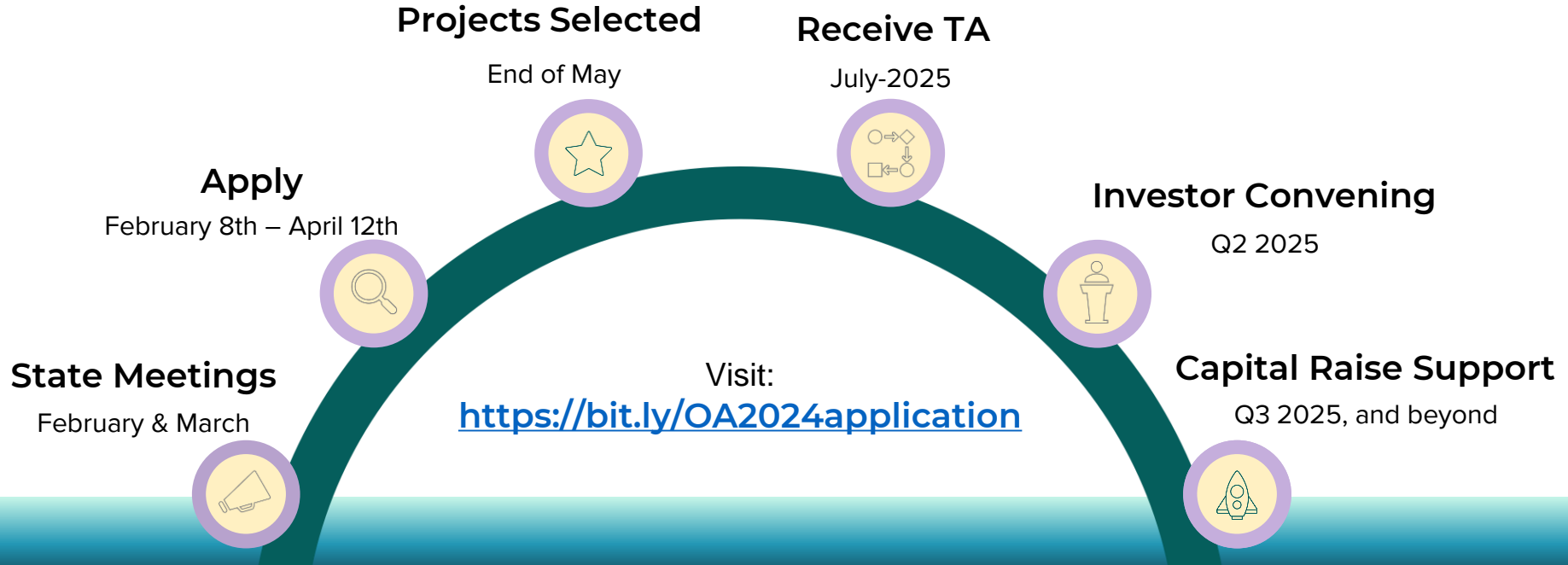
- $\$1\text{MM} \times 1\% = \$10,000$ (is less than \$50k)

What is the Project Selection Criteria?

1. Identified community strategies, engagement
2. Clearly identified project and vision
3. Community impact
4. Capacity & track record
5. Suitability for investment
6. Clear need for TA
7. Clean energy focus

Timeline

Application Deadline: April 12 at 5PM EDT



Application Period:

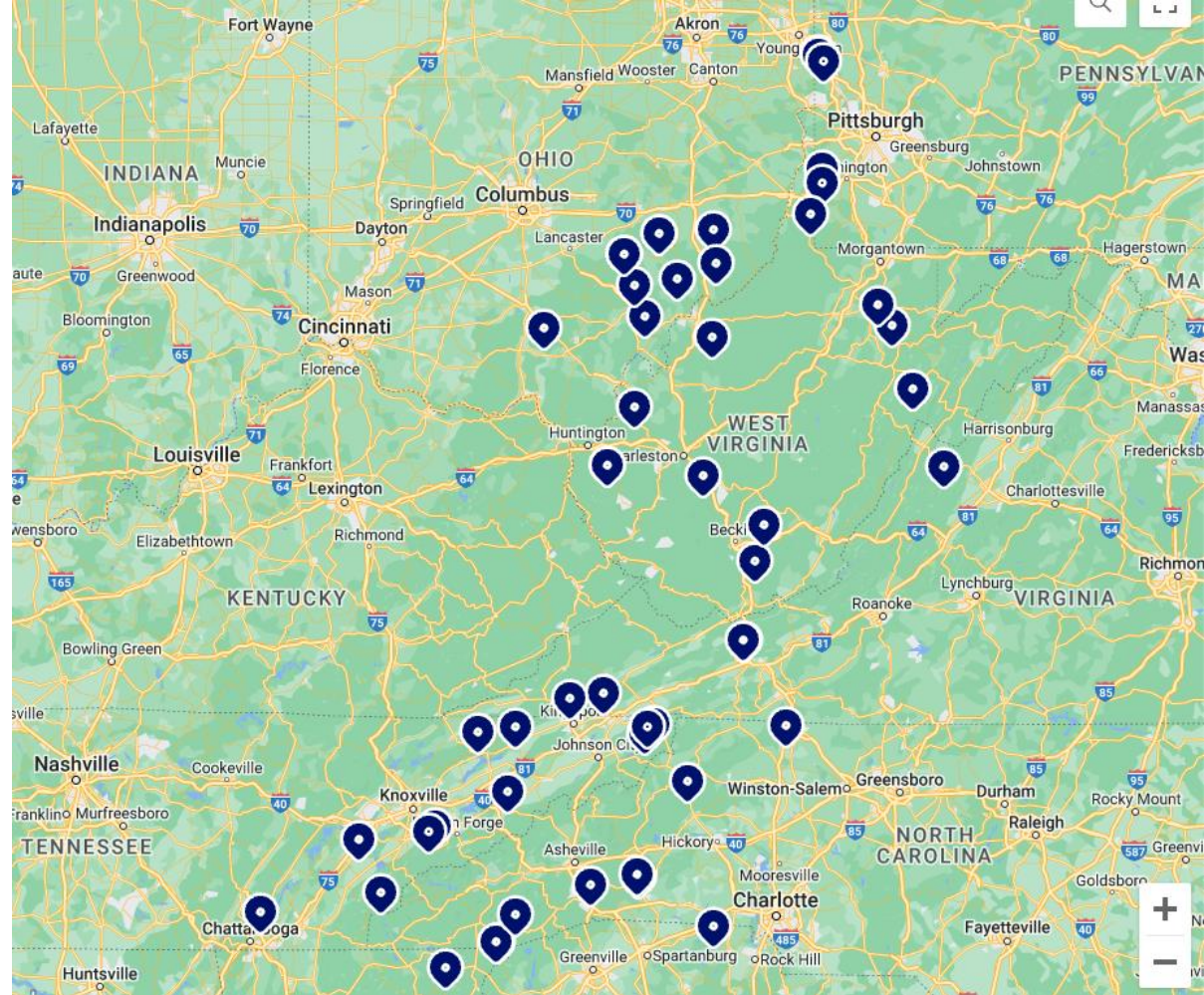
February 8 – April 12 at 5:00 PM EDT

<https://bit.ly/OA2024application>

Application Questions?
victoria@tennessee.edu

58 Projects Since 2020

- Mixed use: offices, housing, retail, restaurant
- Food system
- Event spaces
- Commercial kitchens
- Outdoor recreation
- Health Centers
- Childcare Centers
- Hospitality



Opportunity Appalachia TN Use Case Projects Panel

Opportunity Appalachia Investors Panel



First Horizon Community Investment Group

Presentation to Opportunity Appalachia
Tennessee Outreach Meeting

March 6, 2024

First Horizon is “Here for Good”

- **We are active supporters of the communities where we live and operate.**
- **We invest in the long-term well-being of our communities and of the people who live there.**

Who we are

Banking Centers Serving Clients in 12 States





Low-Income Housing Tax Credits

LIHTC Public Policy Purpose and Utilization

- The federal LIHTC, enacted in 1986, is the federal government's primary program for encouraging the investment of private equity in the development of affordable rental housing for low-income households. Without the LIHTC incentive, affordable rental housing projects do not generate sufficient profit to warrant developers building these projects.
- The LIHTC gives investors a dollar-for-dollar reduction in their federal tax liability in exchange for providing financing to develop affordable rental housing. Investors' equity contribution subsidizes low-income housing development, thus allowing units to rent at below-market rates. In return, investors receive tax credits paid in annual allotments over 10 years.
- Through 2022, the LIHTC program has assisted in the development of more than 2,900,000 affordable housing units.

- There are two types of LIHTCs available to developers:
 - 9% credit – generally reserved for new construction and rehabilitation projects not utilizing certain additional federal subsidies; generally reserved for new construction and rehabilitation projects not utilizing certain additional federal subsidies. This is an annual competitive process.
 - 4% credit - typically for projects utilizing federally tax-exempt bond financing; was originally designed to deliver up to a 30% subsidy. This is a non-competitive process.
- The process of allocating, awarding, and claiming the LIHTC begins at the federal level with each state receiving an annual LIHTC allocation in accordance with federal law. The administration of the tax credit program is typically carried-out by each state's housing finance agency (HFA). State HFAs allocate credits to individual projects through a competitive application process.
- Once a project has an award of LIHTCs, it then "sells" those awarded credits to outside investors in exchange for equity.

LIHTC Example – Tapestry at Roan Hill Apartments in Johnson City, Tennessee





New Markets Tax Credits

NMTC Public Policy Purpose and Utilization

- The federal NMTC program was enacted in 1999 to encourage private capital investment in non-profits, operating businesses, and real estate developments in economically distressed census tracts.
- Through 2022, the NMTC program has assisted the development of more than 7,900 projects.

NMTC Mechanics

- Through a highly-competitive process, the U.S. Department of the Treasury annually awards \$5B of NMTC allocation to Community Development Entities (CDEs).
- CDEs decide the projects into which they will deploy their NMTC allocation.
- Projects must attract NMTC allocation from a CDE in order to become a NMTC project (sponsors often work with NMTC consultants to market their projects to CDEs with NMTC allocation).
- The primary way projects qualify for NMTC is by being located in a qualified low-income census tract.
- The NMTC is equal to 39% of the amount of NMTC allocation a project attracts.
 - The NMTC is 5% of the NMTC allocation for each of the first three years.
 - The NMTC is 6% of the NMTC allocation for each of the next four years.

NMTC Example – Second Harvest of Northwestern North Carolina in Winston-Salem, North Carolina





Historic Tax Credits

HTC Public Policy Purpose and Utilization

- The federal Historic Tax Credit (HTC) program was enacted in 1976 to encourage private investment in the rehabilitation and re-use of historic buildings.
- Through 2022, more than 47,000 historic buildings have been rehabilitated with the assistance of the federal HTC program.

- All of the investments FHCIG makes must qualify as Public Welfare Investments (LIHTC and NMTC qualify automatically. HTC does not qualify automatically).
 - To qualify as a PWI, a project must meet specific regulatory criteria regarding impact to LMI individuals/areas (at minimum, must be located in a LMI census tract, unless project is at least 50% residential units affordable to LMI individuals).
 - Proposed HTC investments require prior regulatory approval from the Federal Reserve.
- The FHTC provides a tax credit of 20% of Qualified Rehabilitation Expenditures (“QREs”).
- To qualify for the FHTC:
 - A building must qualify as historic by either being individually listed in the National Register of Historic Places (“NRHP”) or be a contributing structure to a historic district in the NRHP (Part 1).
 - A historic rehabilitation plan must be approved by the State Historic Preservation Office (“SHPO”) and the National Park Service (“NPS”) as being consistent with the Secretary of the Interior’s Standards for Rehabilitation (Part 2).
 - A rehabilitation plan must be completed pursuant to the approval issued by the NPS (Part 3).
 - A project’s QREs must exceed the owner’s basis in the historic structure (historic structure basis measurement does not include the value of the land).

HTC Example – Montgomery Building in Spartanburg, South Carolina





LIHTC Opportunities

- Amanda Ward
- (901) 523-4861
- alward@firsthorizon.com

NMTC and HTC Opportunities

- Ben Dupuy
- (504) 310-0652
- ben.dupuy@firsthorizon.com

Opportunity Appalachia Impactful State and Regional Resources Panel



TN

Resources for Brownfield Redevelopment

Presented by:



Department of
Environment &
Conservation

Amy MacKown
Paula Middlebrooks

What is a Brownfield?

Definition:

Property where expansion, redevelopment, or reuse may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.

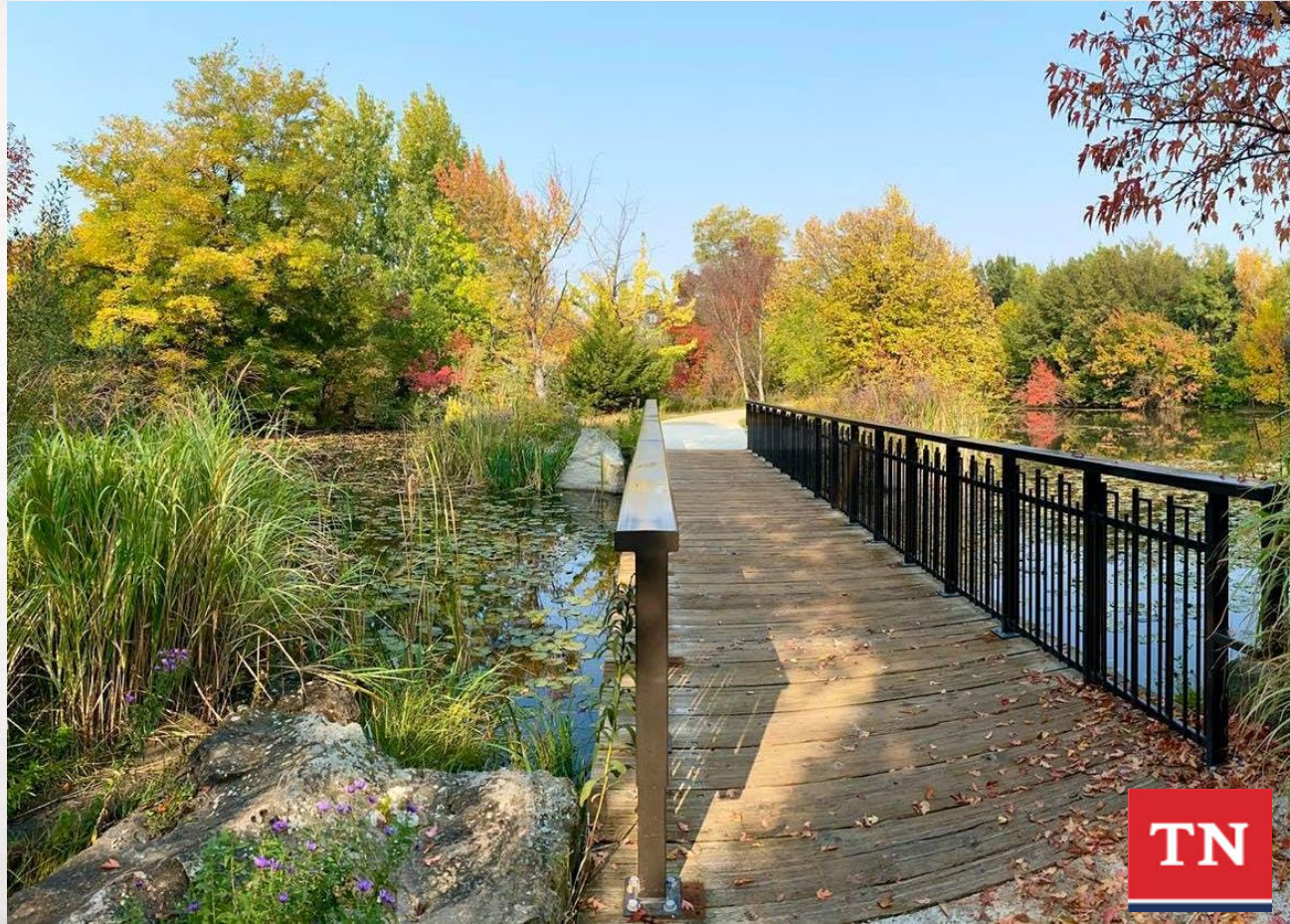


What properties make you cringe?

Brownfield Remediation – the benefits

Contributes to clean healthy environment:

- Improved air, water and soil quality
- Less urban sprawl
- Increased preservation of open spaces



Brownfield Remediation – the benefits

- Promotes strong communities
- Restores impacted lands so they can be reused



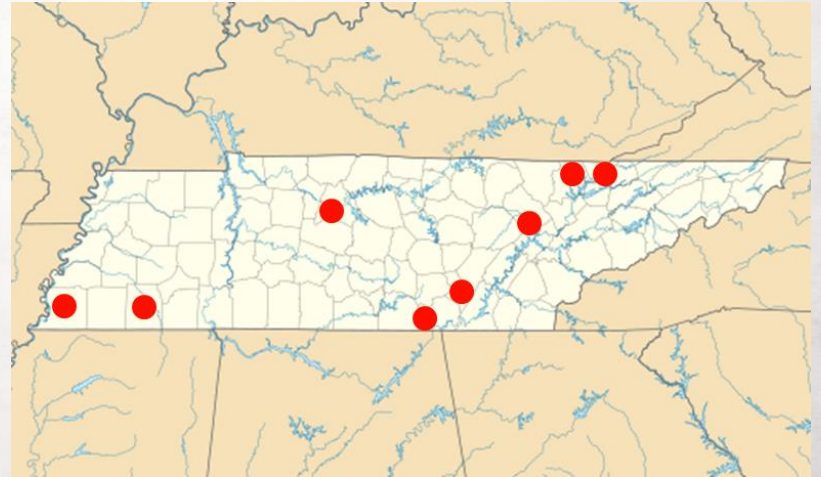
Active Federal Brownfields Grants in TN

- **Environmental Assessments:**

- City of Bolivar
- Campbell County
- City of Chattanooga
- City of Dunlap
- East Tennessee Development District
- HBCU Community Development Action Coalition (in Nashville)
- Community Redevelopment Agency of Memphis & Shelby County
- Woodland Community Land Trust (in Claiborne County)

- **Cleanups:**

- City of Chattanooga
- Economic Development & Growth Engine of Memphis & Shelby County



Brownfield Redevelopment Area Grant (BRAG)

- \$5M recurring in grant funds; individual grants are capped at \$500,000 annually per eligible entity.
- Eligible applicants include **“political subdivisions of the state”**
 - Counties
 - Cities/Towns
 - Development Districts
 - Housing Authorities*

*housing authorities authorized by a county, region, or city as required by state law (TCA 13-20-101 et seq.)

Tennessee Chamber of Commerce & Ind... Following
4,133 Tweets

The #TNChamber was proud to support this legislation and looks forward to seeing former industrial sites across Tennessee be cleaned up and turned into economic development areas.



Three funding categories



Remediation	<ul style="list-style-type: none">• \$500K• 24 mo	Apply to one, two, or all three. Not to exceed \$500k in total funding.
Investigation	<ul style="list-style-type: none">• \$100K• 24 mo	
Identification	<ul style="list-style-type: none">• \$20k• 12 mo	

- \$500K
- 24 mo

Investigation

- \$100K
- 24 mo

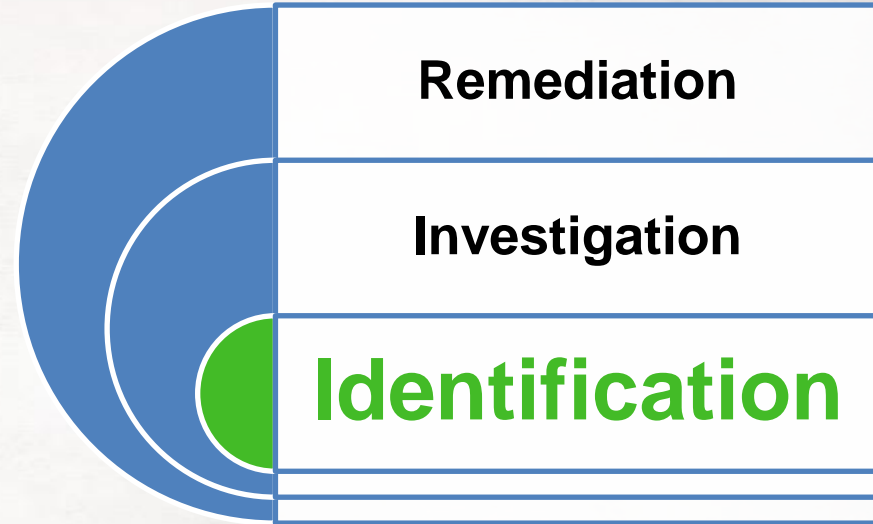
Identification

- \$20k
- 12 mo

Apply to one, two, or all three. Not to exceed \$500k in total funding.

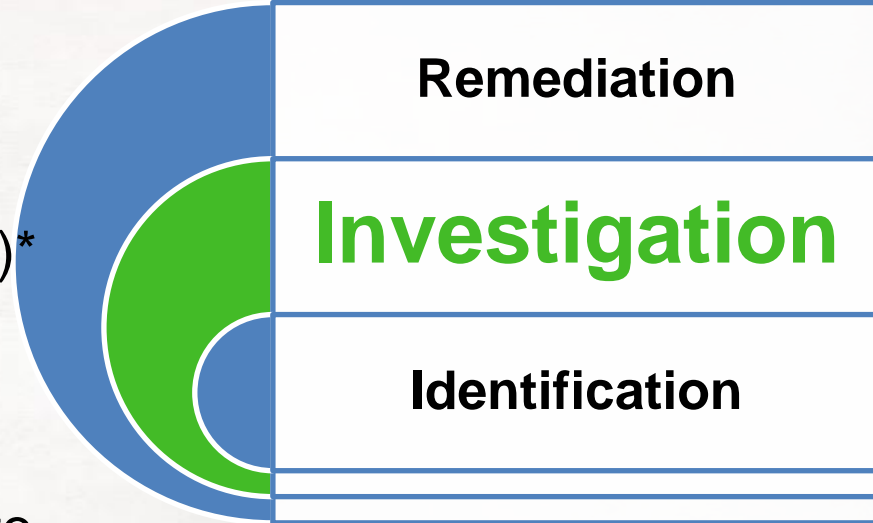
Three funding categories - Identification

- Maximum of \$20k
- For the creation of an inventory of brownfield sites
- Does not need to be publicly owned properties
- Good for beginners to brownfield redevelopment
- Contract NTE 12 months
- Does not result in TDEC “brownfield” designation



Three funding categories - Investigation

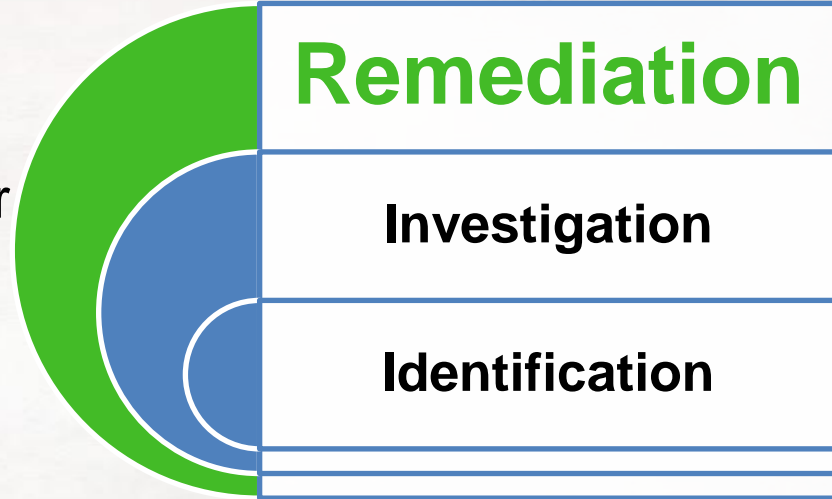
- Maximum of \$100k
- Conducting a Phase I or Phase II Environmental Site Assessment (ESA)*
- Does not need to be publicly owned
- Good for municipalities interested in procuring a brownfield site or looking to learn about a site already owned.
- Contract NTE 24 months
- Must enroll in VOAP



* Conducted in accordance with current ASTM E-1527 standard (Phase I); or in accordance with current ASTM E-1903 standard (Phase II)

Three funding categories - Remediation

- Maximum of \$500k
- Actions to contain, remove, mitigate, or dispose of hazardous substances*
- Must be publicly owned
- Good for entities that have recently conducted a Phase I / II ESA and are ready to develop or have a developer identified.
- Contract term: 24 months
- Must enroll in VOAP



*This may include certain types of demolition and the installation or upgrade of the minimum amount of infrastructure that is necessary to make the property useable.

Common Brownfield Acquisition

- **Voluntary**
 - Acquisition for Economic Development
 - Condemnation of Blighted Property
 - Acceptance in lieu of back taxes

Property in TN is not owned by “strawmen”. Property ownership, including potential liability, “runs with the land”.

- **Involuntary (Under T.C.A. § 68-212-202)**
 - Bankruptcy
 - Abandonment
 - Other circumstances in which the government involuntarily acquires title by virtue of its function as sovereign
 - Tax delinquency (taking for back taxes)



Brownfields are ~~problems~~ opportunities



- Environmental Stigma Results in Lack of Redevelopment or Reuse
- Affects Neighboring Site Business/Owner Investment
- Reduces Tax Base; Impacts overall community viability
- Development moves onto previously undeveloped land (greenfield vs. infill)
- Existing environmental issues go unaddressed

Do Not Acquire (Purchase or Receive by Donation) a Property Without First Performing All Appropriate Inquiry consistent with ASTM E1527-21 - Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process

Tentative BRAG Timeline 2024

February 2024

Grant period opens;
announce solicitation

June 2024

Awards announced and
notice of award
provided to successful
applicants

April 2024

Proposal submission
deadline; begin review
and processing of
applications

August 2024

Target execution date
for grant contracts

**Scan the QR code to
sign up for updates!**



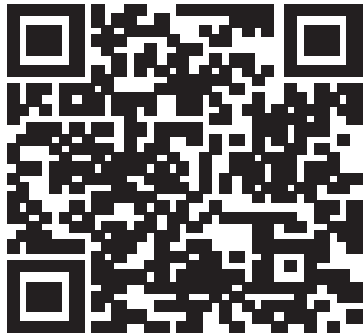
**TDEC.Brownfields@tn
.gov**

Brownfield Remediation – THREE STEPS



Next Steps:

Scan the QR
code to sign up
for updates!



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Department of
**Environment &
Conservation**



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c. 615-663-6507
Debbie.clabo@tn.gov



BROWNFIELD TAX CREDIT TIER 1 & 2 COUNTIES

ELIGIBILITY	BENEFITS
<ul style="list-style-type: none">• \$25M capital investment in a qualified development project• Located on a Brownfield Property under a voluntary agreement	<ul style="list-style-type: none">• Credit equal to 50% of purchase price of the brownfield• The credit offsets up to 50% of the combined Franchise and Excise tax liability• The unused credit may carry forward for up to 25 years or until used

BROWNFIELD TAX CREDIT TIER 3 & 4 COUNTIES

ELIGIBILITY	BENEFITS
<ul style="list-style-type: none">• \$5M capital investment in a qualified development project• Located on a Brownfield Property under a voluntary agreement	<ul style="list-style-type: none">• Credit equal to 75% of purchase price of the brownfield• The credit offsets up to 75% of the combined Franchise and Excise tax liability• The unused credit may carry forward for up to 25 years or until used• Credit up to \$500,000 of remediation cost offsets up to 100% of the franchise and excise



Fahe Community Lending in Appalachia

How Fahe is helping build a bridge to project capital!

Dwain Neeley
Vice President of Community Lending



Fahe is a national network of 50+ community organizations that serves the Appalachian states of Kentucky, Tennessee, Virginia, West Virginia, Maryland, and Alabama. Our region is home to more than 25 million residents.

- In FY2023 the Fahe Network made a direct investment of **\$144.8 million**, serving **84,000 people**.
- Since 1980, Fahe has invested **\$1.91 billion**, improving the lives of **941,000 people**.
- We use our **expertise** in finance in direct single-family and community lending and loan servicing , collaboration, innovation, advocacy, and communication to help eliminate poverty.
- Fahe **empowers people and communities** with the resources, opportunities, and tools needed to build a better life.



Fahe Community Lending

With competitive interest rates and flexible terms, Fahe offers access to the USDA's Community Facilities (CF) program creating potential additional benefits for the borrower.

Type of loans available include:

Acquisition – To purchase and pay closing costs for real property for future development.

Construction – To pay hard and soft costs of construction of new or renovated structures.

Term – To provide long term, fixed rate financing.

Bridge / Leverage / Source – To bridge the timing gap between the project or program costs and receipt of cash from committed capital sources.

Working Capital – Provides flexible capital to meet seasonal, or cyclical cash needs.



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Strength in Numbers

Fahe Community Lending

	ACQUISITION / Mini-Term	CONSTRUCTION	BRIDGE / LEVERAGE / SOURCE	WORKING CAPITAL
PURPOSE	To pay for purchase and closing costs for real property acquisition	To pay hard and soft costs of construction of new or renovation projects	To bridge the timing gap between the project or program costs and receipt of equity from committed sources	To provide flexible capital to meet organizational, seasonal or cyclical cash needs
PROJECT TYPE	Multi use product	Rental Housing, Multi-family Housing, Mixed use projects; Health Facilities etc.	Rental Housing; For-sale Housing, Multi-family, Mixed Use projects; Health facilities, etc.	Multi use product
LOAN AMOUNT	\$100,000 - \$7,000,000**	\$100,000 - \$7,000,000**	\$100,000 - \$7,000,000**	\$25,000 - \$1,000,000**
INTEREST RATE	Call for Fixed Rate	Call for Fixed Rate	Call for Fixed Rate	Call for Fixed Rate
TERM	Typically 60 months	Up to 24 months	Typically Up to 36 months. Other terms available	Up to 12 months, renewable
REPAYMENT	Typically Principal & Interest	Interest only monthly	Interest only monthly	Interest only monthly
LOAN FEES	1% + All fees Fahe may incur in process of the loan	1% + All fees Fahe may incur in process of the loan	1% + All fees Fahe may incur in process of the loan	1% + All fees Fahe may incur in process of the loan
COLLATERAL	Must be secured. Typically real-estate being purchased. Up to 90% LTV	Typically real-estate being constructed. Up to 90% LTV	Bridged receipts, Assignment of contract, Developer Fee, Tax Credit Payments or real estate, and any other collateral Fahe may deem appropriate.	Generally secured Unsecured may be available



fahe
Strength in Numbers

Fahe Community Lending

For more information on Community Lending loan products contact:

**Drew Pritchard, Business Development Officer, 859 200-9861,
dpritchard@fahe.org**

**Dwain Neeley, Vice President of Community Lending, 859 756-6257,
dneeley@fahe.org**

**FAHE IS BUILDING THRIVING APPALACHIAN COMMUNITIES.
We believe in people, and we find strength in working together.**

- *Loan Terms subject to change. All loans are subject to underwriting and credit approval. *Loans over \$1,000,000 may be available. **Loans over \$7,000,000 may be available and typically require participation by other lenders.*
- *Revised 2/24*

Opportunity Appalachia

Developing Your Project

How to Develop & Analyze a Potential Project

Presented By: Bill Pollard

BrightBridge Capital

Three Stages of Development Process

Pre-Development	Construction	Operational
<p>This stage is the riskiest and requires the loan officer to prescreen the deal specifics on the front-end. Usually financed by the project sponsor or a source of equity.</p> <p>Confirming sources/uses & eligibility factors are key components during this stage to see if the deal qualifies.</p>	<p>If prescreened correctly, the project risks at this stage are reduced but not eliminated.</p> <p>The project is typically financed at this stage, usually during an IO period to reach “stabilization” for the project.</p>	<p>While pre-development & construction risks may be eliminated at this point, the major risk is ramping up property management to ensure cash flow is sufficient enough to service the debt stack.</p> <p>If the developer stuck to his budget, this should align with what the credit suggested on the front-end of the deal & should be no surprises.</p>

Pre-Development Stage

- Planning & Feasibility Analysis
- Market Study/Tenant Mix
- Site Acquisition
- Design & Permitting
- Financial Planning & analysis
- Business Plan/Investment Prospectus

Construction Stage

- Contracting
- Project Marketing
- Construction Financing
- Progress Monitoring

Operational Stage

- Completion & Occupancy
- Property Management
- Finding Buyers and/or Tenants (if renting space)
- Risk Management
- Achieving stabilization

Need for Flexibility – If not willing to pivot, project becomes more risky

- What may change?
- No project will ever end up how it starts:
 - Geotechnical
 - Environmental Contamination
 - Permitting Process
 - Market feasibility
 - Changes in cost (constructions & financing)
 - Timing
 - Zoning

Technical Assistance

- Available technical assistance for small business owners & developers:
 - SCORE Program
 - SBDC
 - Opportunity Appalachia
 - Main Street America
 - Grow America
 - Local CDCs
- Importance of leveraging technical assistance for successful loan applications & post-loan business management

FAQS

- What types of loans are available?
- How long does the approval process take?
- What happens if I default on a loan?
- What are the interest rates associated with these loan products & how do they compare to bank loans?

Recap – Conclusion

- Understanding eligibility factors
- Navigating loan processes
- Conducting Market feasibility studies
- Need for flexibility
- Importance of financial documentation
- Leveraging technical assistance

Opportunity Appalachia Elements Of A Successful Application Panel

Thank You For Your Participation!
