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

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| **Financing Options:** | **Conventional Debt** | **New Markets Tax Credits** | **Bond Financing** |
| **Strengths:** | * Variable loan amounts (no minimum threshold) * Minimal complexity, no need for additional financing consultant * Less expensive (no bond / NMTC counsel fees) | * Interest-only option * Combination of debt and equity leads to an overall lower blended interest rate * Equity forgiveness of roughly 20 – 25% * Longer term (7 years) * Although expensive to close, benefit of equity forgiveness / lower blended interest rate can far outweigh the cost | * Long-term financing (30+ years) * Single transaction for life of loan, no need for refi * Rates can be competitive |
| **Weaknesses:** | * Generally amortizing which increases annual cost but lowers refi (may be pro or a con) * Difficult to secure long-term financing –refi risk | * Expensive (high legal fees, sub-allocation fees) * Complex, recommend consultant, unless strong internal capacity * Minimum threshold: Due to expense and complexity, generally best with a minimum of $5MM * Not all projects qualify, need to be in qualifying census tract * Complicated federal guidelines that project needs to stay within * Refi risk | * Expensive (high legal fees, etc) – but no need for refi * Rates are highly volatile right now * Ratings are not easy to predict * There might be interest rate risk (variable rates, resets) * Complex, recommend consultant, unless strong internal capacity * Minimum threshold: Due to expense and complexity, generally best with a minimum of $5MM |
| **Legal or other costs:** | * Average | * High * Potential need for financing consultant specializing in NMTCs | * High * Potential need for financing consultant specializing in bond executions |
| **Other recs:** |  | * 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 program) * Highly recommend working with CDEs and / or Investors who have closed multiple NMTCs; will make for smoother process to close * 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 | * Work early on with a consultant on credit enhancement and rating, as needed |
| **Best option with --**  **Ground Lease:** | * Depends on the specific of the lease and what security is available to the lender – check with legal and lender early on | * 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 | * 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 |
| **SB740:** | * Structure borrower as separate LLC and have school lease facility from borrower so there is a true operating lease. | | |
| **Prop 1D:** | * 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). | | |