

CHEFA COMMUNITY DEVELOPMENT CORPORATION

Minutes of Advisory Board Meeting

November 5, 2020

The Advisory Board of the CHEFA Community Development Corporation, (the "CHEFA CDC") held a meeting via teleconference at 3:00 p.m. on Thursday, November 5, 2020.¹

Present at the meeting were the following members of the Advisory Board:

Ellen Carter, Community Leadership Director, Connecticut Community Foundation

Peter S. DeBiasi, President/CEO, The Access Community Action Agency

Jackie Downing, Director of Grantmaking and Nonprofit Effectiveness, The COMMUNITY Foundation of Greater New Haven

Rex Fowler, CEO, Hartford Community Loan Fund

Paula Gilberto, President and CEO, United Way of Central and Northeastern Connecticut

Suzanne P. Lagarde, MD, MBA, FACP, Chief Executive Officer, Fair Haven Community Health Care

Matthew Straub, Program Officer, Local Initiatives Support Corporation (LISC)

Carla Weil, Director of Lending, Capital for Change

Absent from the meeting were the following members of the Advisory Board:

Ed Bonilla, MBA, MS, Vice President of Community Impact, Middlesex United Way

Alan J. Mathis, President and Chief Executive Officer, LifeBridge Community Services, Inc.

Arvind Shaw, Chief Executive Officer, Generations Family Health Center

Jay Williams, President, Hartford Foundation for Public Giving

Also, present at the meeting were the following individuals:

Peter W. Lisi, Chairperson, CHEFA CDC Board of Directors

Jeanette W. Weldon, Executive Director, CHEFA CDC

Denise E. Aguilera, General Counsel, CHEFA

Debrah Galli, Manager, Administrative Services, CHEFA

Daniel Giungi, Government Affairs and Communications Specialist, CHEFA

Daniel Kurowski, Program Manager, CHEFA CDC

¹ All attendees participated in the meeting via conference telephone that permitted all parties to hear each other

JoAnne N. Mackewicz, Controller, CHEFA
Michael F. Morris, Managing Director, CHEFA
Cynthia D. Peoples-H., Managing Director, CHEFA
Kara Stuart, Administrative Services Assistant, CHEFA

GUESTS

Christina Heckart, Community Impact Director, Middlesex United Way

There being a quorum, the Advisory Board Meeting was called to order at 3:00 p.m. by Jeanette Weldon as Chairperson. Kara Stuart acted as the Secretary of the Meeting and recorded the minutes.

Ms. Weldon welcomed the Advisory Board members, and requested all persons present to introduce themselves and the organization they represent.

AGENDA ITEM – Minutes of Advisory Board Meeting – October 10, 2019

Ms. Weldon requested a motion to approve the minutes of the October 10, 2019 meeting of the Advisory Board. Mr. Lisi moved to approve the minutes and Ms. Carter seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Ellen Carter Peter S. DeBiasi Jackie Downing Rex Fowler Paula Gilberto Suzanne P. Lagarde Matthew Straub Carla Weil	None	None

AGENDA ITEM – New Markets Tax Credits CY 2019 Application Round Awards Overview

Mr. Morris provided the following information on the CY 2019 New Markets Tax Credits (NMTTC) Review Process:

The review process consisted of two phases:

Phase 1:

- Each application was reviewed and scored by two external reviewers, these reviewers were professionals with strong credentials in community and economic development finance.
- They were responsible for reviewing and scoring two of the four application sections, business strategy and community outcomes.
- Highly qualified applicants move on to Phase 2.

Phase 2:

- Highly qualified applicants are reviewed by the Allocation Recommendation Panel, which is comprised of CDFI Fund staff.
- The Panel reviews and scores the entire application, including the two remaining components, management capacity and capitalization strategy, as well as any previous awards.
- The Panel recommends awards to the Selecting Official of the CDFI Fund.
- Awards are made in descending final rank score order until available allocation authority is exhausted.

Mr. Lisi inquired whether the business strategy and community outcomes are equally weighted. Mr. Morris stated that they are equally weighted.

Mr. Morris reported the following on the CY 2019 NMTC Awards:

- CDFI Fund received applications from 206 CDEs requesting \$14.7 billion in NMTC allocation.
- \$3.55 billion was awarded to 76 CDEs:
 - 39 have a national service area; 17 have a multistate service area; 12 have a statewide service area; 8 focus on either a city-wide or countywide service area.

Mr. Morris then reported the following on the CY 2019 NMTC Awards in New England:

- CDEs that serve primarily New England were unsuccessful, which included MHIC, MassDevelopment, & BlueHub Capital
- Successful CDEs with Connecticut identified as approved service area
 - Partners for the Common Good, Washington D.C. - \$35,000,000
 - The Rose Urban Green Fund LLC, Denver, CO - \$45,000,000

- Both have national services areas, and depending on the size of their project pipeline there is no guarantee that the projects would be funded in Connecticut.

Mr. Morris reported the following on the application process:

- CHEFA CDC's application failed to move on to Phase 2 of the review.
- Staff debriefed with our consultant, Affirmative Investments regarding the application and identified two areas that need to be addressed:
 - Develop a track record of direct financing.
 - Improve data collection of community outcomes of existing programs.

AGENDA ITEM – Update on CHEFA CDC's Planned Activities for FY2021

Mr. Kurowski reported that after review of the results of last year's allocation application, staff elected not to apply for the current round. Staff felt the need to address areas of concern in order to be competitive. Mr. Kurowski said that staff fully intends to apply for future allocation rounds. In the meantime, staff will continue to promote the program, educate Connecticut's nonprofits, and develop the project pipeline. Mr. Kurowski said that if possible, staff will try to connect eligible projects to other CDEs who may have available tax credits from the past or upcoming rounds.

Mr. Kurowski stated that in response to the impact of the pandemic on clients, in May, CHEFA authorized the creation of the CHEFA Revolving Loan Fund Program and made \$1 million available for the current funding cycle. The current funding cycle has made funds available to finance loans to existing clients for working capital expenses, program expenses and small capital purchases. Mr. Kurowski said that staff did receive feedback from some clients, and they expressed that while the terms of the loans are attractive, many are hesitant to take on debt due to the uncertainty of the pandemic. Mr. Kurowski reported that staff has been able to close \$150,000 worth of loans and will continue working on outreach to make sure CHEFA CDC's clients are aware of this program and the available funding. The program will start a new funding cycle in July 2021, and this Spring, staff will begin to develop the terms for the upcoming funding cycle.

Mr. Kurowski stated that to improve tracking and presentation of the community impact data for all of CHEFAs programs and CDC, staff is seeking a Data Analysis Consultant to help with

these efforts. CHEFA released an RFP in September for a consultant to assist in the development of metrics and tools to measure economic and social impact of CHEFA and CHEFA CDC programs. The project will tentatively be completed by Spring 2021. Mr. Kurowski said that staff believes both the revolving loan fund and the data analysis work will help to address areas of concern and will also help CHEFA CDC be more competitive in future allocation rounds for the federal NMTC program.

AGENDA ITEM – Legislative Proposal: Connecticut New Markets Tax Credit Program

Ms. Weldon stated that the CHEFA CDC proposal is part of CHEFA’s legislative agenda. Ms. Weldon noted that when the Authority is considering what to propose for the legislative agenda, the focus is primarily on the following criteria:

- The Authority’s strategic plan and initiatives;
- The state’s priorities and what the Authority can do to support these priorities; and
- The general state of affairs in society and how the Authority can play a role.

Ms. Weldon reported that there are two major items on the legislative agenda that address the above criteria:

- CHESLA’s Minority Teacher Recruitment Student Loan Subsidy Program
- CHEFA CDC’s New Markets Tax Credit Program

Ms. Weldon stated that the Authority believes that both legislative agenda items will help to address racial and income inequalities in the state.

Ms. Weldon turned the floor over to Mr. Kurowski.

Mr. Kurowski reported that low-income communities throughout Connecticut have been hit the hardest by the pandemic. Community service providers have gone from being shut down for months to now being asked to do so much more, with less. Many of these organizations have been mandated to cut back on the number of people they can serve, while demand for these services has drastically increased. Mr. Kurowski stated that these organizations are critical to the recovery from the pandemic and will be critical to future economic development in these low-income communities.

Mr. Kurowski said that CHEFA and CHEFA CDC are in a unique position to be able to assist the state in its economic recovery efforts. The Authority can assist in the implementation of a state New Markets Tax Credit (NMTC) program that incentivizes investment in non-profits that serve Connecticut's low-income communities. Mr. Kurowski said that a state New Markets Tax Credit Program is not a unique idea, 15 states across the country have implemented their own state NMTC programs. Many of these programs, including staff's proposed state NMTC program, mirror the Federal NMTC program.

Mr. Kurowski reported that the program would offer a Connecticut state income tax credit equal to 39% of the qualified investment and investors would claim the tax credit over a 7-year period. Staff is proposing allocation percentage of the tax credit that is different to the federal program, but many state programs have used this allocation percentage. Mr. Kurowski said that by utilizing an allocation percentage that allocates the tax credits to the final 5 years, it minimizes the near-term financial impact for the state. Mr. Kurowski stated that determination of eligible organizations would still mirror the federal program, with the only exception being that the organization must be a nonprofit organization that serves Connecticut's low-income communities.

Mr. Kurowski reported that while the proposed program is very similar to the federal program, there are some differences. There would be a cap of \$5 million of tax credit allocation per transaction. Larger projects would still be eligible, but they would only be able to receive up to \$5 million in allocation. Mr. Kurowski said that the credit amounts will be limited to ensure the program has an impact across the state and not just on one or two projects.

Mr. Kurowski stated that another unique feature is the elimination of the CDE application process. CHEFA CDC would have the authority to allocate the tax credits as long it maintains its qualified CDE status with the federal government. The reason for this change is to minimize the administration cost of the program and increase the economic benefit to the eligible organizations. Mr. Kurowski said that the risk of the federal application process results in the CDE charging high fees for those allocations to those organizations. Without the application risk, CHEFA could lower its fees for an allocation of state credits which would increase the economic benefit to these organizations.

Mr. Kurowski stated that staff's proposal is a two-year program, creating \$25 million in tax credit allocation authority per year. Utilizing the proposed application percentage, the maximum annual cost to the state would be \$4 million. Mr. Kurowski reported that this program would promote \$50 million in economic development in Connecticut's low-income communities during the first two years, at a minimal cost for the state during those years.

Mr. Kurowski said that with the \$5 million cap, this program could fund at least 5 projects per year. For organizations that receive a state allocation up to \$5 million, they could realize an economic benefit of approximately \$1 million for their project.

Mr. Kurowski stated that the role of the Advisory Board for the Connecticut NMTC Program would be the same as the federal. Staff would ask the board to provide feedback on proposed projects and make recommendations on the allocation of the available state tax credits.

Mr. Kurowski turned the floor over to Mr. Giungi, Communications and Government Affairs Specialist. Mr. Giungi gave an overview of his legislative outreach activities regarding this proposal:

- Raising awareness and educating key legislators from Finance, Revenue and Bonding, Higher Education and Employment Advancement, and Education committees.
- Meeting with key contacts from state agencies.
- Identifying legislators from districts that have the greatest need, educating them on our proposal and its potential impact in their district.

A brief discussion ensued.

Mr. Fowler inquired if the restriction to non-profit entities is due to a limitation of CHEFA's. Mr. Kurowski stated that this is correct, the limitation is due to CHEFA's statutory authority stating that it is only allowed to finance non-profit entities.

AGENDA ITEM – Advisory Board Member Reappointments

Ms. Weldon stated that Advisory Board Members need to be reappointed annually. This will happen at the next CHEFA CDC Board meeting to be held on Wednesday, November 18, 2020 at 2:30 p.m.

AGENDA ITEM – Proposed Advisory Board Schedule CY 2021

Mr. Kurowski requested a motion to approve the proposed advisory board schedule CY 2021. Mr. Lisi moved to approve the proposed advisory board schedule CY 2021 and Ms. Weil seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Ellen Carter	None	None
Peter S. DeBiasi		
Jackie Downing		
Rex Fowler		
Paula Gilberto		
Suzanne P. Lagarde		
Matthew Straub		
Carla Weil		

Mr. Kurowski noted the upcoming CHEFA Client Webinar “Washington D.C. Outlook and the Impact on Connecticut” to be held on Tuesday, November 17, 2020 at 1:00 p.m.

ADJOURNMENT

There being no further business, at 3:32 p.m., Ms. Weldon requested a motion to adjourn the meeting. Mr. Lisi moved to adjourn the meeting and Ms. Gilberto seconded the motion.

Upon a voice vote, the “Ayes,” “Nays” and “Abstentions” were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Ellen Carter	None	None
Peter S. DeBiasi		
Jackie Downing		
Rex Fowler		
Paula Gilberto		
Suzanne P. Lagarde		
Matthew Straub		
Carla Weil		

Respectfully submitted,

Kara Stuart
Acting Secretary