



# CHEFA

Connecticut Health & Educational  
Facilities Authority



# ABOUT US





# CHEFA

Connecticut Health & Educational  
Facilities Authority

## MISSION

Provide financial assistance to eligible entities in the State, expand educational opportunities for Connecticut students, and enhance the quality of life for State residents, including those in distressed communities.

## VISION

Be the State's "go to" resource for innovative financial solutions that serve Connecticut residents and enhance their quality of life.



## CLIENT BASE

*CHEFA provides financial assistance to 501(c)3 nonprofit organizations in the healthcare, childcare, education, and cultural sectors.*

- CHEFA helps nonprofits access capital through the issuance of tax-exempt revenue bonds, which are repaid by the nonprofit borrower and are typically not backed or repaid by the State.
- CHEFA's operating costs are supported through financing fees and are not funded with tax dollars.
- CHEFA has issued over \$25.5 billion in bonds since its creation in 1965.

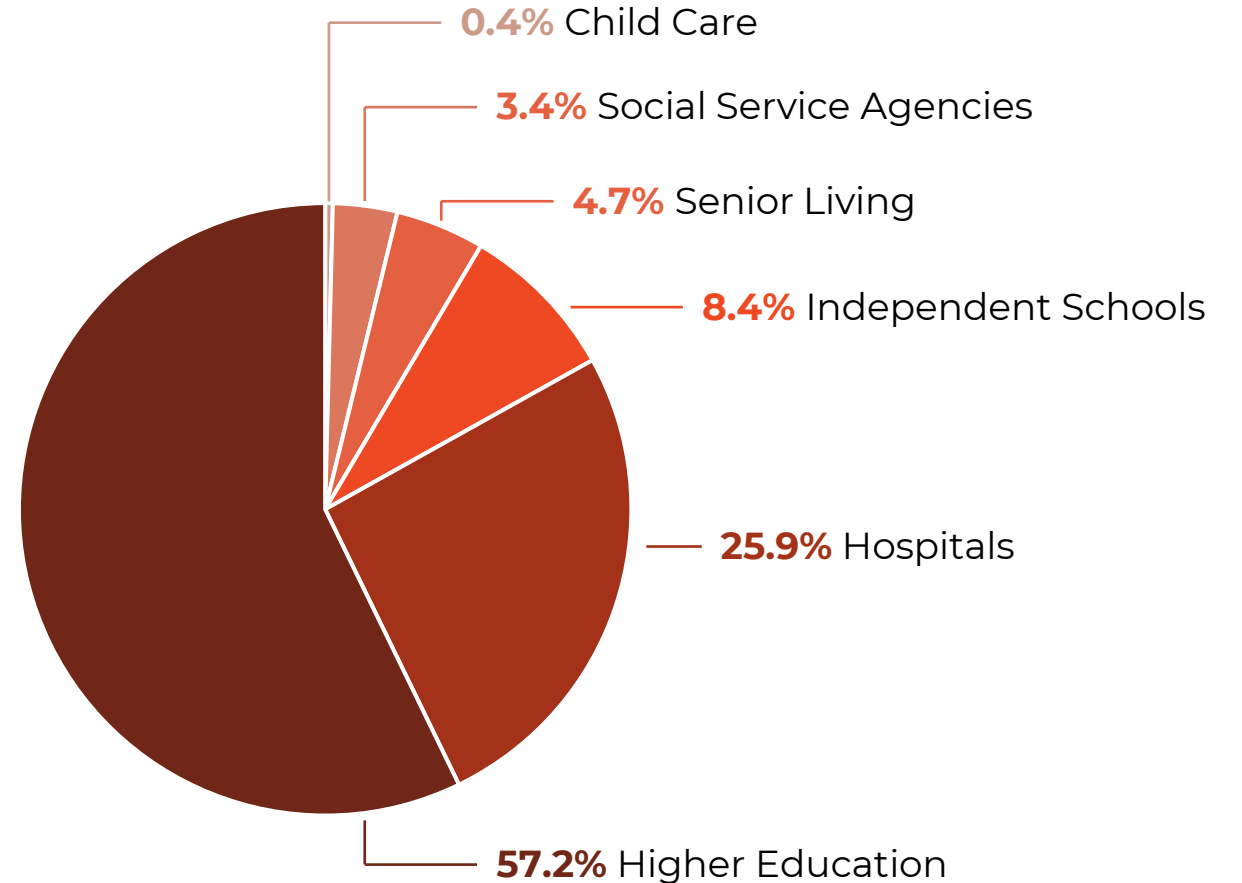


## CLIENT BASE

*Portfolio of Bonds Outstanding as of December 31, 2023*

Over the past five fiscal years, CHEFA has expanded its client base helping a broad range of nonprofits access the tax-exempt market, including:

- ✓ a charter school,
- ✓ two YMCAs,
- ✓ an Alzheimer care facility,
- ✓ a Federally Qualified Health Care Center, and
- ✓ Continuing Care Retirement Communities.



# FUNDING CT NONPROFITS: HOW CHEFA CAN FUND YOUR NEXT INITIATIVE

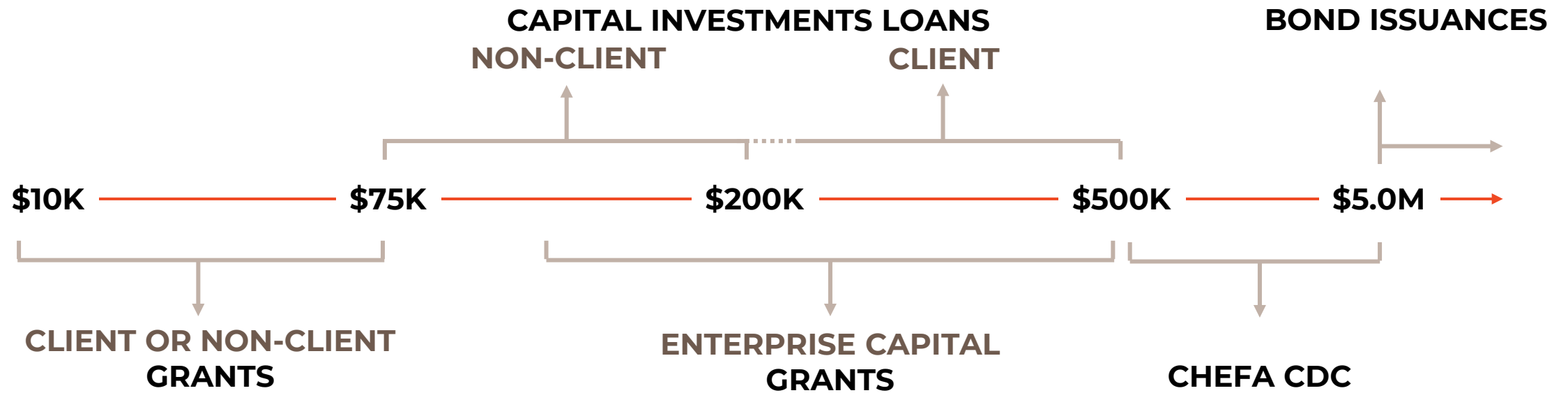
- Welcome & Overview of CHEFA
- Tax-Exempt Financing
- CHEFA CDC & NMTC
- Capital Investments Loan Program
- Enterprise Capital Grant Program
- Nonprofit Grant Cycle
- Final Q&A Session
- Closing Remarks



Slide deck will be electronically distributed to all attendees after the event. Thank you for participating in this informative discussion!



# FUNDING CT NONPROFITS: HOW CHEFA CAN FUND YOUR NEXT INITIATIVE

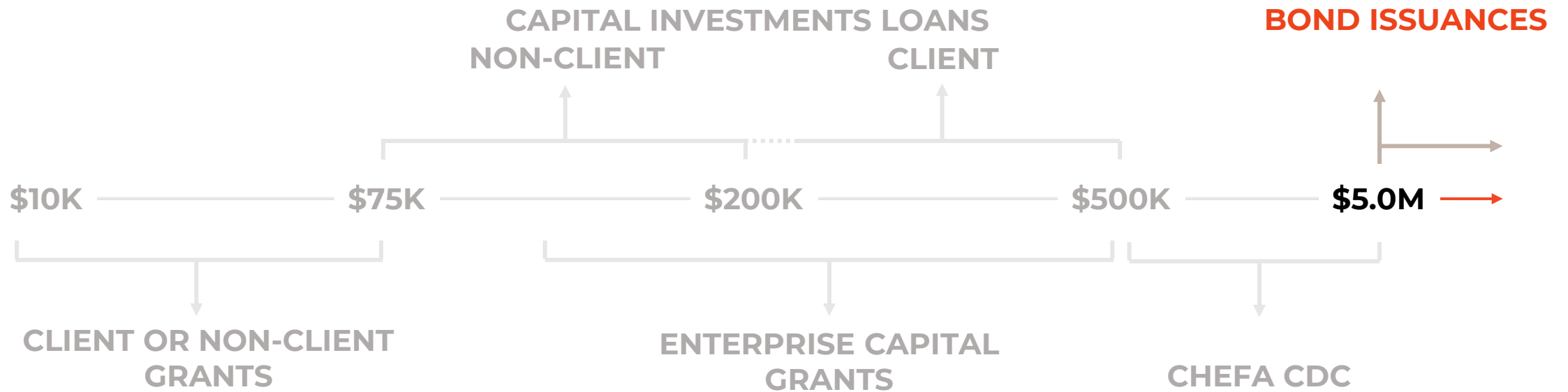


# TAX-EXEMPT BOND FINANCING





# FUNDING CT NONPROFITS: TAX-EXEMPT BOND FINANCING THROUGH CHEFA



## WHY USE TAX-EXEMPT BOND FINANCING?

- Tax-exempt bonds benefit from federal and state income tax-exemption on the interest earned on the bond.
- Investors will buy tax-exempt bonds at a lower interest rate than a taxable bond on which they would have to pay federal income tax on interest.
- The issuer (or conduit borrower) will therefore have a lower interest rate to pay on its debt.
- This interest savings is viewed as a federal subsidy by the federal government, tax policy includes certain limits on the subsidy.
- Bonds will be tax-exempt only if the financing is for a permitted qualified purpose and other IRS general private activity limitations and rules are met.



# TYPES OF BOND OFFERINGS

## PUBLIC OFFERINGS

- Public offerings are typically used for large-scale projects (greater than \$20.0 million).
- Sold in the municipal bond market, typically requiring an underwriter.
- Investor can either be individual or institutional investors.
- Publicly offered bonds often carry bond ratings assigned by a national bond rating agency.



**\$58.96 million**

*Series N Bonds*

Closed March 2023  
Construction of a new  
residence hall



**\$41.14 million**

*Series A Bonds*

Closed July 2024  
Refinanced existing debt  
and financed capital  
projects



**\$31.81 million**

*Series 2024B Bonds*

Closed April 2024  
Joint Venture  
Contribution to fund the  
construction of proton  
therapy center



## TYPES OF BOND OFFERINGS

### PRIVATE PLACEMENT/BANK DIRECT PURCHASES

- Bonds are sold directly to a bank or a financial institution as the sole purchaser.
- The purchaser is responsible for conducting its own credit review and due diligence; these bonds are typically not rated.
- All financial covenants and security provisions are based on the purchaser's requirements.
- Term of bond is typically 10-15 years with a 25-year amortization.



**\$13.5 million**

*Webster Bank*

Closed February 2024  
Finance misc. campus renovations  
and improvements



**\$30 million**

*TD Bank N.A.*

Closed December 2023  
Finance various campus  
improvements



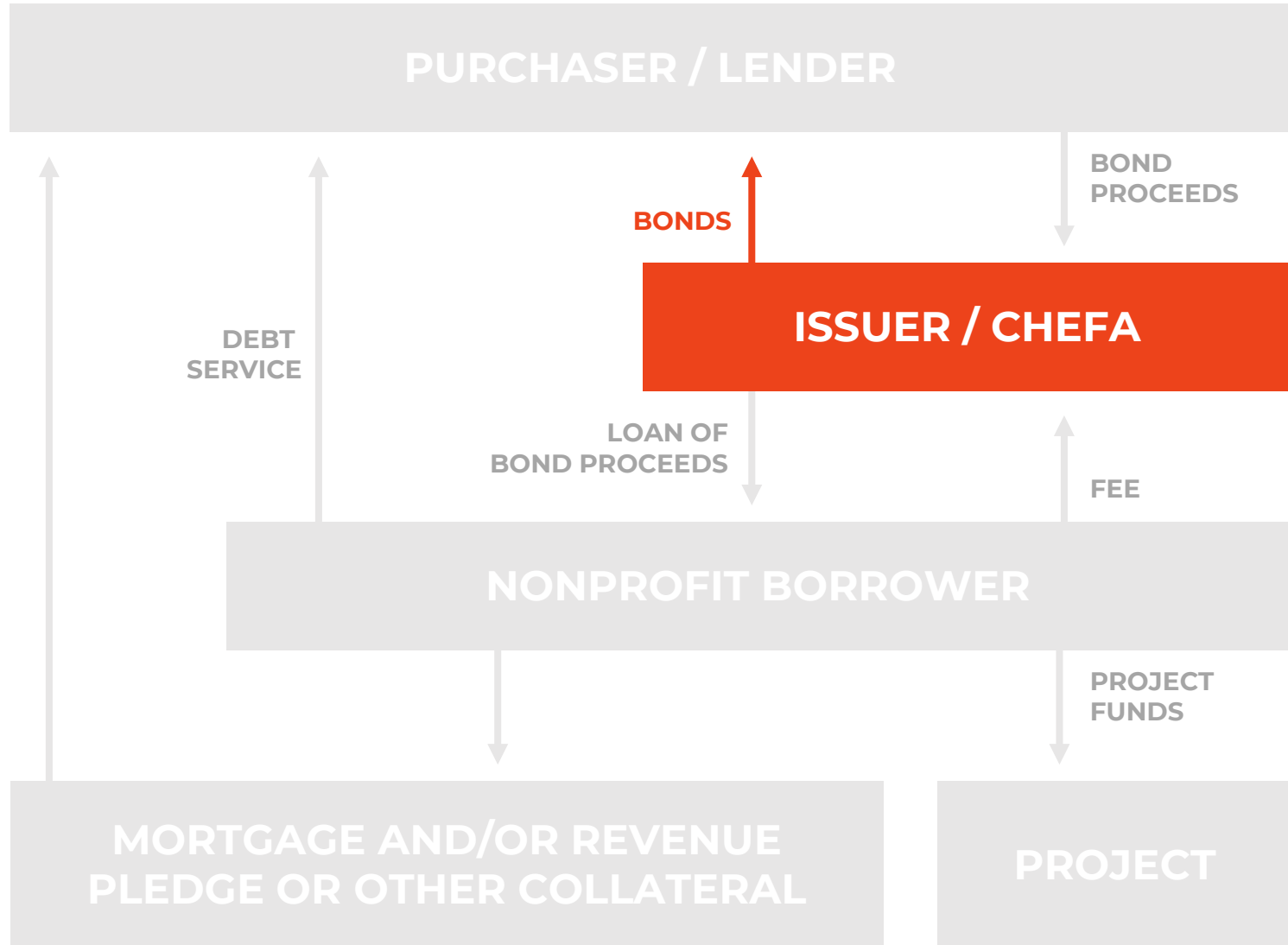
**\$14.1 million**

*Salisbury Bank and Trust*

Closed June 2022  
Refund prior debt and finance  
building acquisition and renovation



# BANK DIRECT PURCHASE STRUCTURE



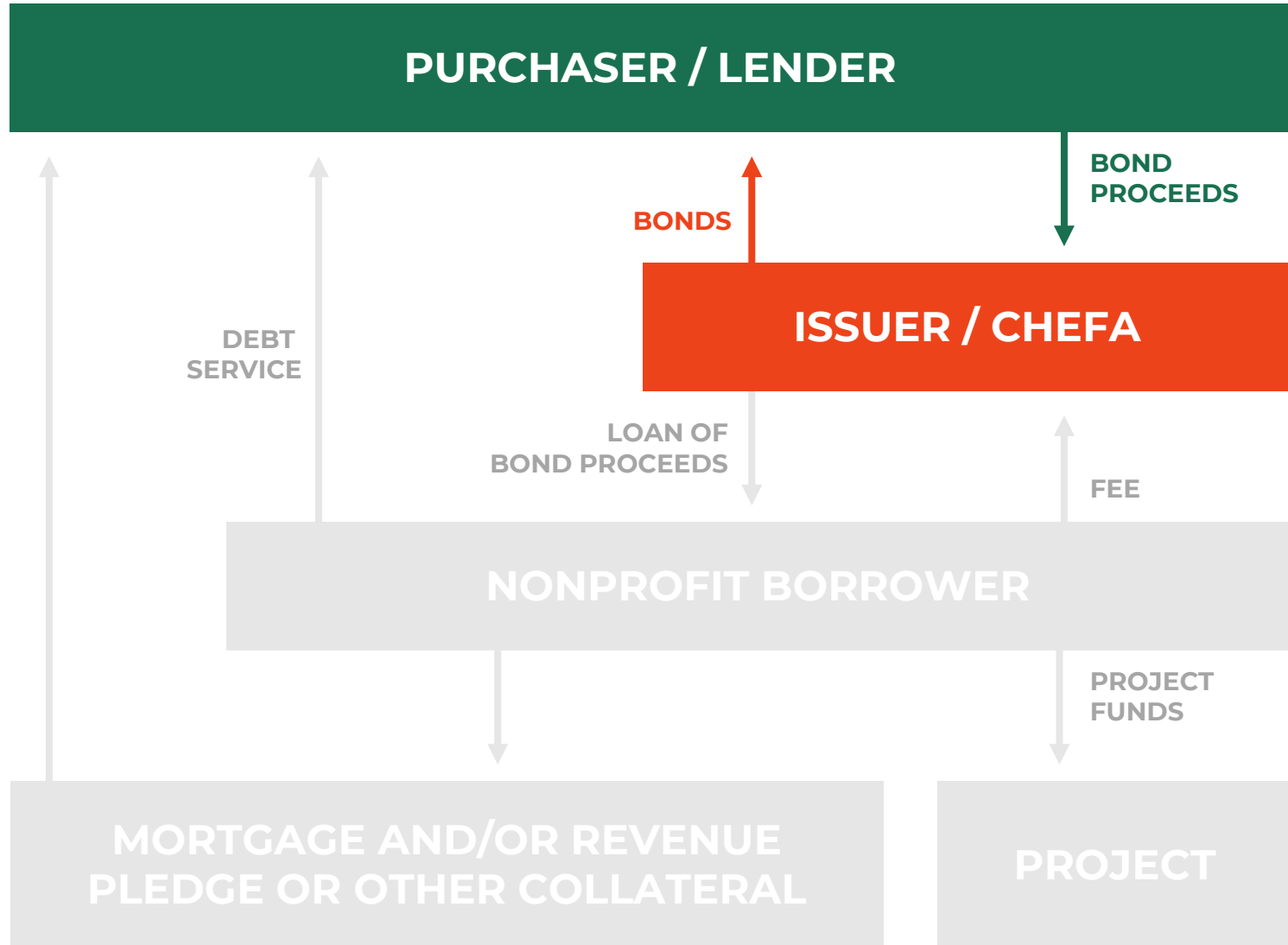
✓ Buys bonds from Issuer

- ✓ Issues Bonds
- ✓ Loans Bond Proceeds to Borrower
- ✓ Not liable for Debt Service

- ✓ Liable for Debt Service
- ✓ Promises to Repay Loan



# BANK DIRECT PURCHASE STRUCTURE



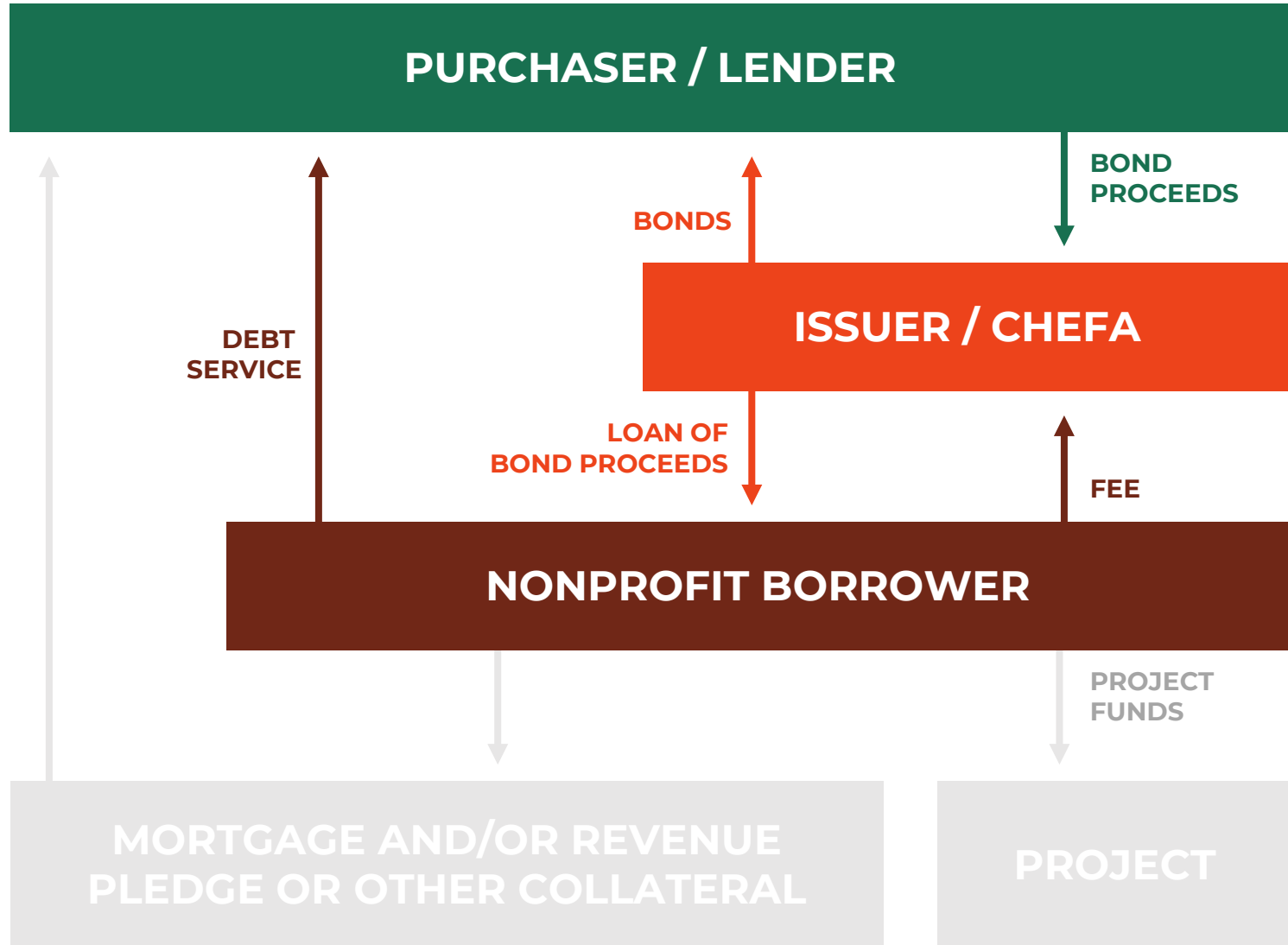
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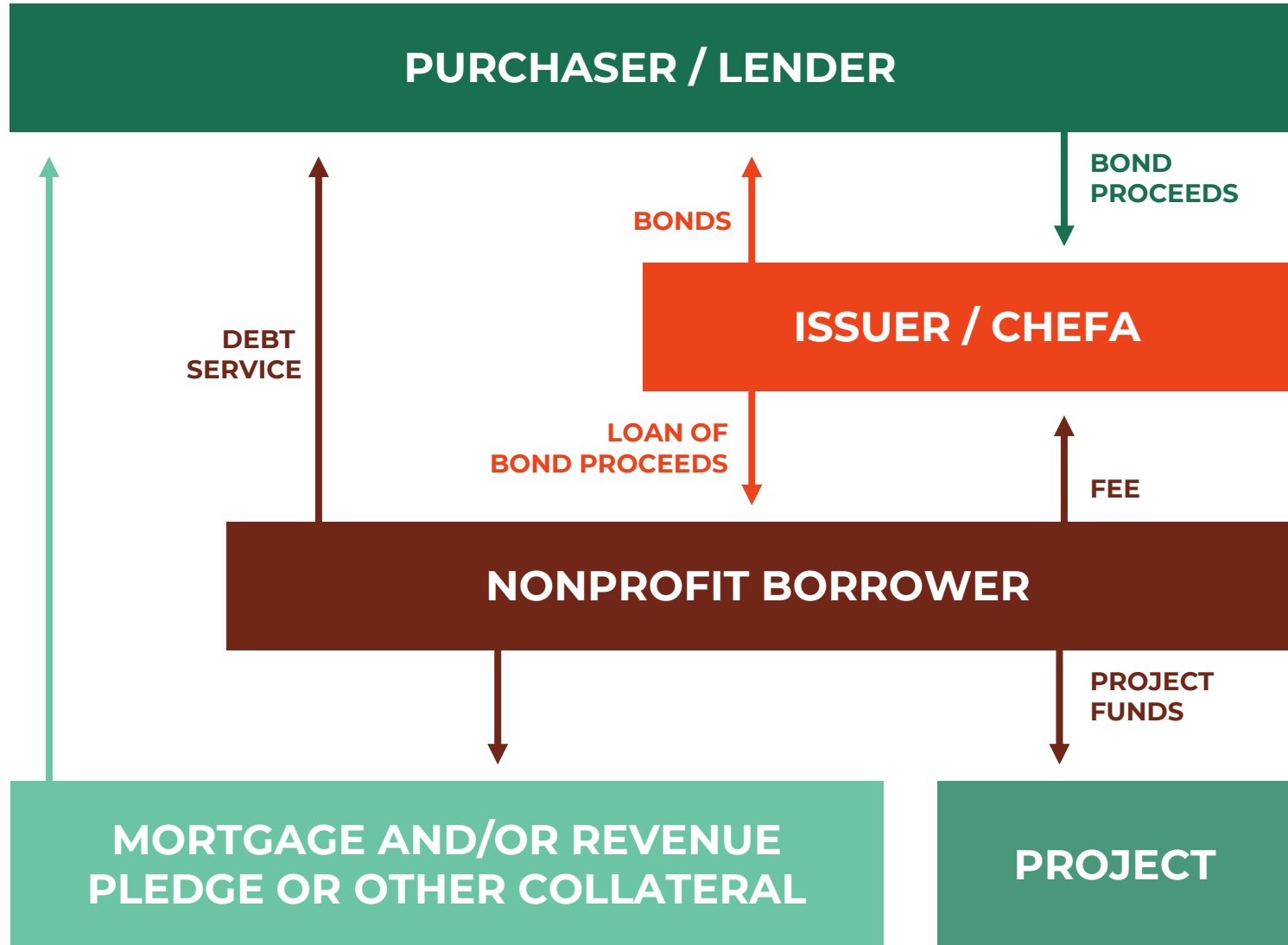
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## BANK DIRECT PURCHASE: A CASE STUDY

- Borrower: Ocean Community YMCA
- Project: Various renovations and enhancements to its Mystic, CT location, and adding 20,000 sq ft to existing footprint
- Purchaser: Washington Trust Company
- Financing Structure: Issuance of two series of Draw Down Bonds
  - Series A – Up to \$2.0 million
    - Required to be paid down with capital campaign contributions
    - Variable Interest Rate – (One-Month SOFR plus 1.85%) x 79% (Current Rate: 5.29%)
  - Series B – Up to \$4.0 million
    - Permanent Financing
    - Variable Interest Rate for 18 months, converted to fixed rate at 4.05%
    - Mandatory Tender – December 2027



## BANK DIRECT PURCHASE: A CASE STUDY (CONTINUED)

Sources:	Amount
Bond Proceeds	6,000,000.00
Equity Contribution	71,791.18
<b>Total Sources:</b>	<b>6,071,791.18</b>

Uses:	Amount
Construction Fund	5,880,000.00
Costs of Issuance	186,791.18
<b>Total Uses:</b>	<b>6,017,791.18</b>

- Security
  - First mortgage on Mystic property
  - Pledge of Gross Revenues
  
- Financial Covenants
  - Debt Service Coverage Ratio of at least 1.15x
  - Leverage Ratio not to exceed 1.75/1.0



# TAX-EXEMPT FINANCING FOR EQUIPMENT ACQUISITION

## CHEFA'S EASYLOAN PROGRAM

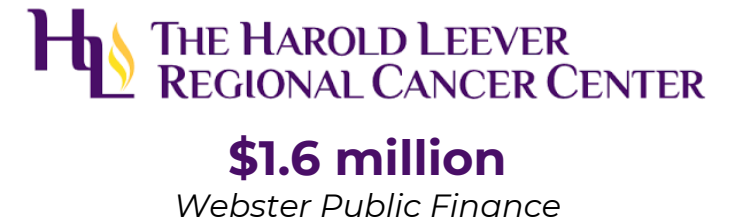
- The EasyLoan Program is structured similar to a bank direct purchase.
- Eligible equipment includes medical, diagnostic, and laboratory equipment, computer networks and equipment, vehicles and energy management systems.
- Loan is secured by the equipment financed.
- The program features standardized loan documentation, and reduced financing fees compared to a traditional bond financing.



Closed December 2021  
Refinance existing debt and  
finance new equipment and  
improvements



Closed June 2021  
Finance ERP System  
implementation and other  
capital expenditures



Closed October 2017  
Finance PET/CT scanner and  
buildout

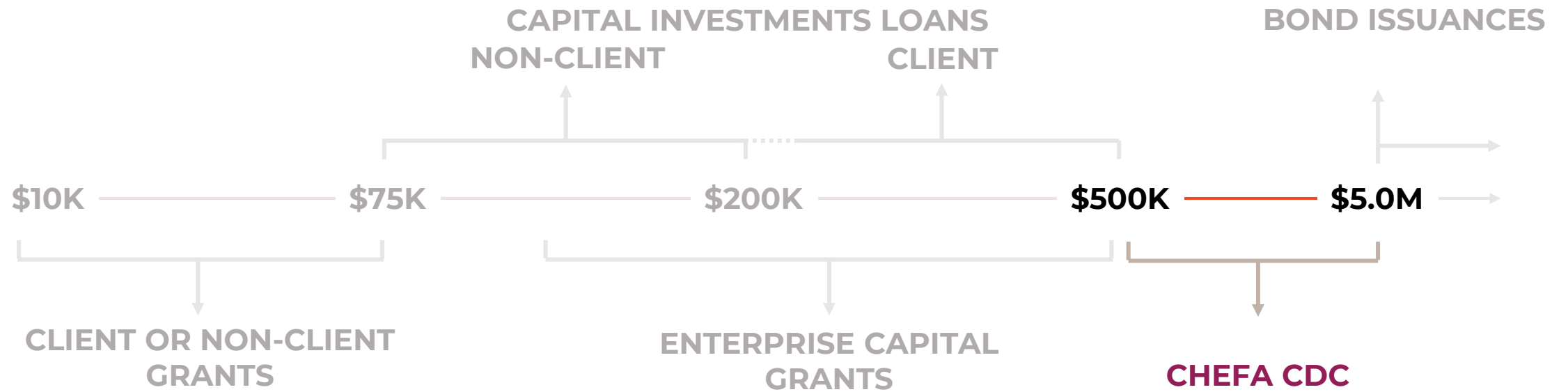




# CHEFA COMMUNITY DEVELOPMENT CORPORATION



# FUNDING CT NONPROFITS: CHEFA COMMUNITY DEVELOPMENT CORPORATION



## ORGANIZATION OVERVIEW

- The CHEFA Community Development Corporation (CHEFA CDC) was incorporated in February 2019 as a Connecticut nonprofit nonstock corporation.
- CHEFA CDC is a subsidiary of CHEFA.
- CHEFA CDC is governed by a Board of Directors, of which the Directors are also Directors for the Board of Directors of CHEFA.
- CHEFA CDC's primary activity involves utilizing the federal New Markets Tax Credit Program to provide nonprofits affordable and flexible financing products to expand economic opportunities in Connecticut's low-income communities.



**MISSION**

Provide financial assistance to and facilitate investment in entities throughout the State that enhance the quality of life in low-income communities.

**VISION**

Be a state-recognized leader in creating and providing innovative financing solutions that support economic development and enhanced quality of life in low-income communities.



# NEW MARKETS TAX CREDIT





# OVERVIEW OF FEDERAL NMTC PROGRAM

- The New Markets Tax Credit (NMTC) program provides a federal tax credit for investments made in businesses or economic development projects located in distressed communities.



- Provides economic development for low-income people and their communities through gap financing
  - Quality job creation
  - Provision of goods & services (e.g. Healthcare & Education)
  - Other – healthy food, housing, environmental benefits



## PROJECTS BY CATEGORY



**\$100 BILLION**  
in project financing  
since 2003

# COMMUNITY DEVELOPMENT ENTITIES & QUALITY PROJECTS

*Through a competitive application process, the US Treasury allocates New Markets Tax Credits to Community Development Entities (“CDEs”), which distribute the tax credits to quality eligible projects.*

## QUALITY PROJECT

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### STRONG COMMUNITY IMPACT

+

### READINESS TO PROCEED



Local Support



Strong Financing Plan



Quality Job Creation



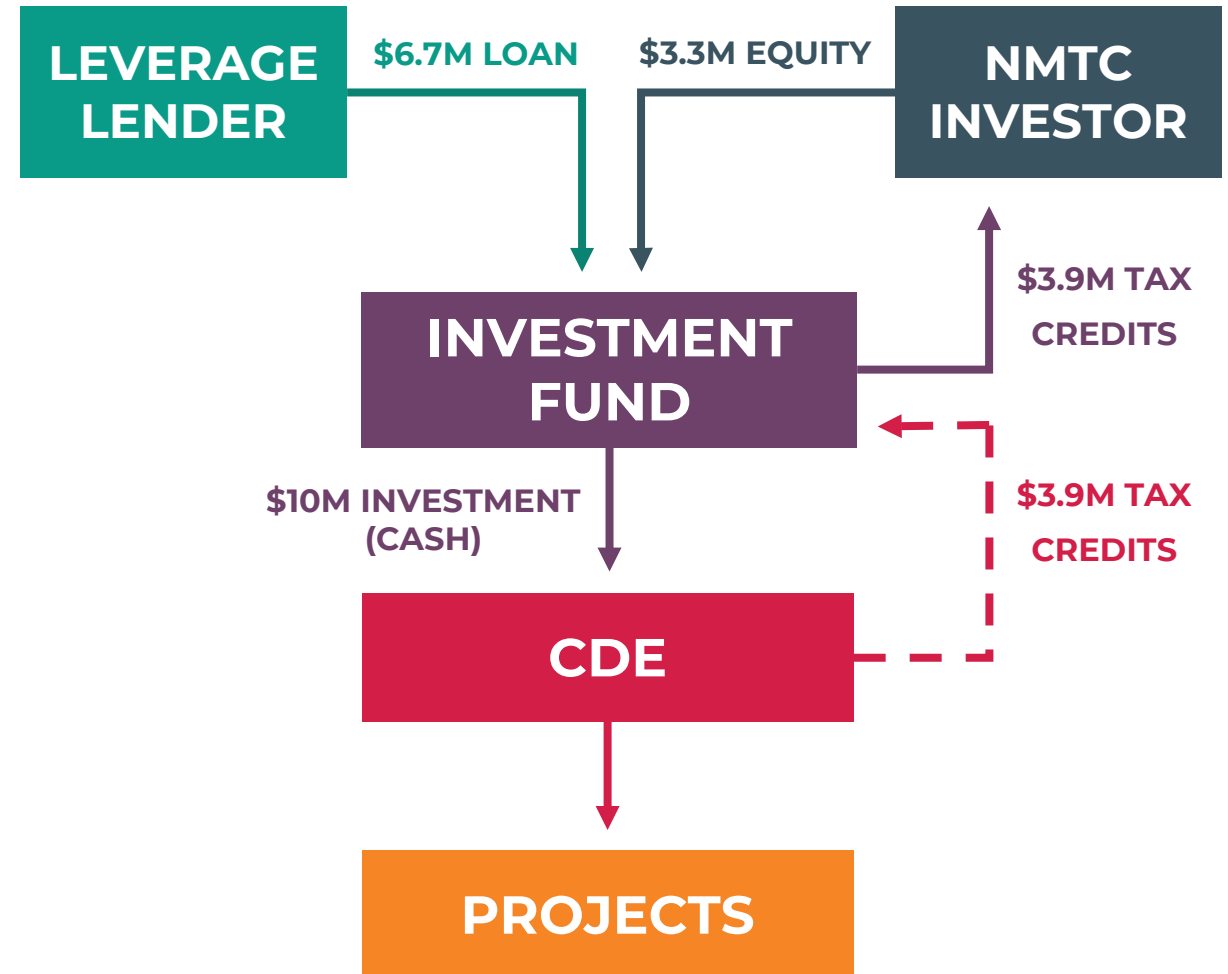
Design/permitting/  
site control moving  
forward



Goods & Services for its  
Community

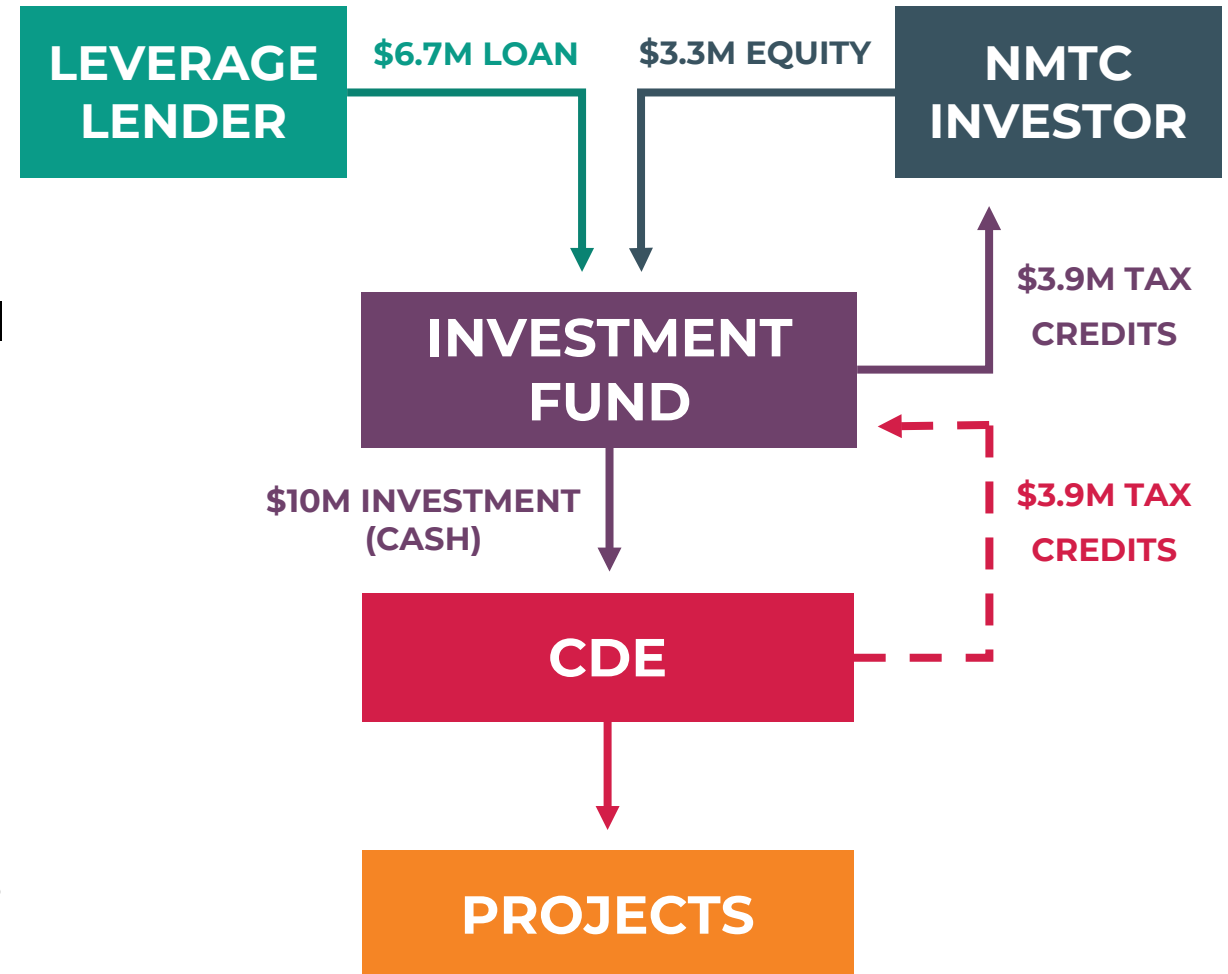
# COMMUNITY DEVELOPMENT ENTITY TRANSACTIONS

- CDE applies for NMTC or seeks a sub-allocation of NMTC from another CDE
- NMTC are sold to an investor at a discount
- CDE and Project Sponsor are required to source remaining portion of funds from a Leverage Lender



# COMMUNITY DEVELOPMENT ENTITY TRANSACTIONS

- CDE uses funds from NMTC Investor and Leverage Lender to finance the project
- Project can be an individual capital project or a loan fund that funds multiple projects
- Financial benefit to the project is from the NMTC equity
  - A forgivable loan benefit from NMTC investor
  - Subsidized loan fund interest rates



## ELIGIBLE ORGANIZATIONS

- Located in a low-income census tract (LIC)
  - LICs are any population census tract where either:
    - The poverty rate is at least 20%; or
    - Median family income does not exceed 80% of the area median family income
- Resources to look up census tract eligibility:
  - Novogradac NMTC Mapping Tool
  - CohnReznick NMTC Mapping Tool
- There are prohibited business activities
- CHEFA CDC is solely dedicated to serving nonprofit organizations

## NMTC TIMING

- CDE application process is lengthy
  - Successful CDEs must be able to demonstrate a sufficient pipeline of quality projects
  - Typical process can take over a year, before tax credits can be applied to a project
  
- Suballocation from another CDE is faster
  - Benefits smaller projects \$500K - \$5M
  - Still requires a project pipeline
  
- NMTC can be a powerful tool to help nonprofits in low-income communities

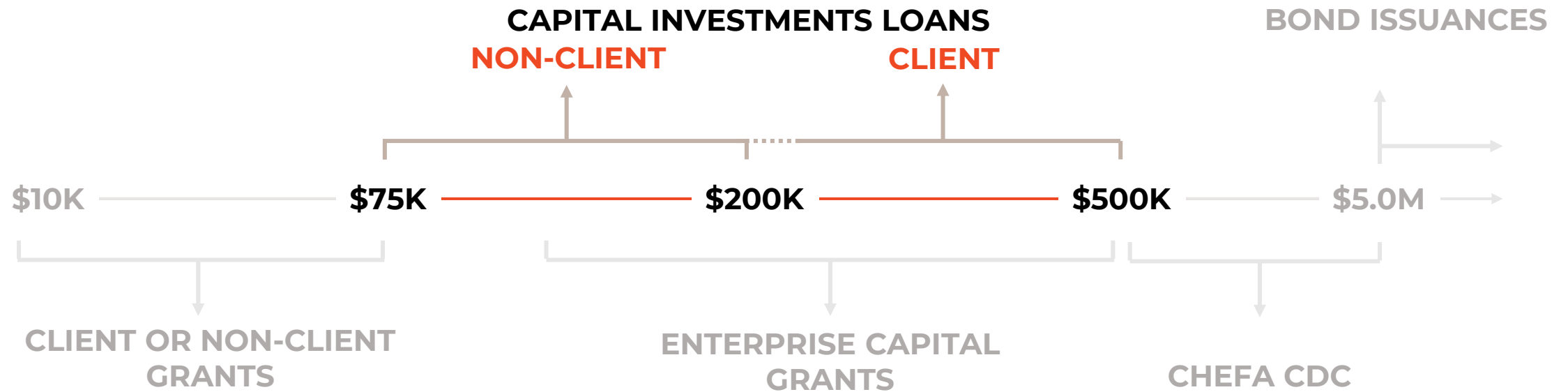


CHEFA CDC needs to be made aware of future projects, so that we can obtain the resources necessary to support them.

# CAPITAL INVESTMENTS LOAN PROGRAM



# FUNDING CT NONPROFITS: CAPITAL INVESTMENTS LOAN PROGRAM





## OVERVIEW

*Created to provide low-cost financing to our clients and other nonprofits.*

- CHEFA has issued \$2.3 million in loans to organizations for capital improvement projects and working capital expenses.
- Borrowers Included:
  - Arts and Cultural Centers
  - Child Care Facilities
  - Community Action Agencies
  - Hospitals
  - Independent Schools
  - Senior Living Facilities
  - YMCAs
- Financed Capital Projects such as Roof Replacements, HVAC Installations, Medical Equipment, Vehicles.
- Recent Board approval expanded the loan size amount limit to \$200,000 for non-CHEFA clients and \$500,000 for CHEFA clients.



## CURRENT TERMS

- Connecticut based 501(c)(3) Organizations can apply for funding to finance **capital projects**.
- CHEFA clients can borrow up to \$500,000, non-clients can borrow up to \$200,000.
- Financing is for up to 72 months at 2.99%.
- Loans are secured by a Mortgage and/or Security Agreement, CHEFA reserves the right to waive that requirement.
- No upfront fee, prepayment penalty, or annual fee.



## UNDERWRITING CRITERIA

- Applicant must have been in operation for at least 3 years.
- Existing Debt Service Coverage Ratio of at least 1.25 times.
- No Loan to Value Requirement.
- Approved loan amount may not exceed the costs of the project.
- The Authority may consider other factors in determining the approval of a loan.

FY XX	
Total Unrestricted Revenue	\$3,500
Total Unrestricted Expenses	3,200
Change in Unrestricted Net Assets	500
"+" Depreciation & Amortization Expenses	100
"+" Interest Expenses	75
"-" Investment Gains & Losses	0
Change in value of interest rate swaps	0
<b>Total Revenue Available For Debt Service</b>	<b>\$475</b>
Existing Annual Debt Service	
Interest Expenses	75
Current Portion of Long Term Debt	100
<b>Total Annual Debt Service</b>	<b>\$175</b>
<b>Existing Debt Service Coverage Ratio</b>	<b>2.71</b>



## APPLICATION PROCESS

- Application is available on CHEFA's website
- Required Financial Information:
  - 3 Years of Audited Financial Statements
  - If most recent audit wasn't complete within the 12 months prior to application, please include unaudited financials for most recent completed fiscal year
  - Current Operating Budget
- Cash Flow Analysis:
  - Information for 3 most recent completed fiscal years
  - Reasonable projections over the next 3 fiscal years
- State of Connecticut Campaign Contribution Certification Form
- Applications and Requested Information are submitted to Dan Kurowski at [dkurowski@cheffa.com](mailto:dkurowski@cheffa.com)



## OTHER REQUIREMENTS

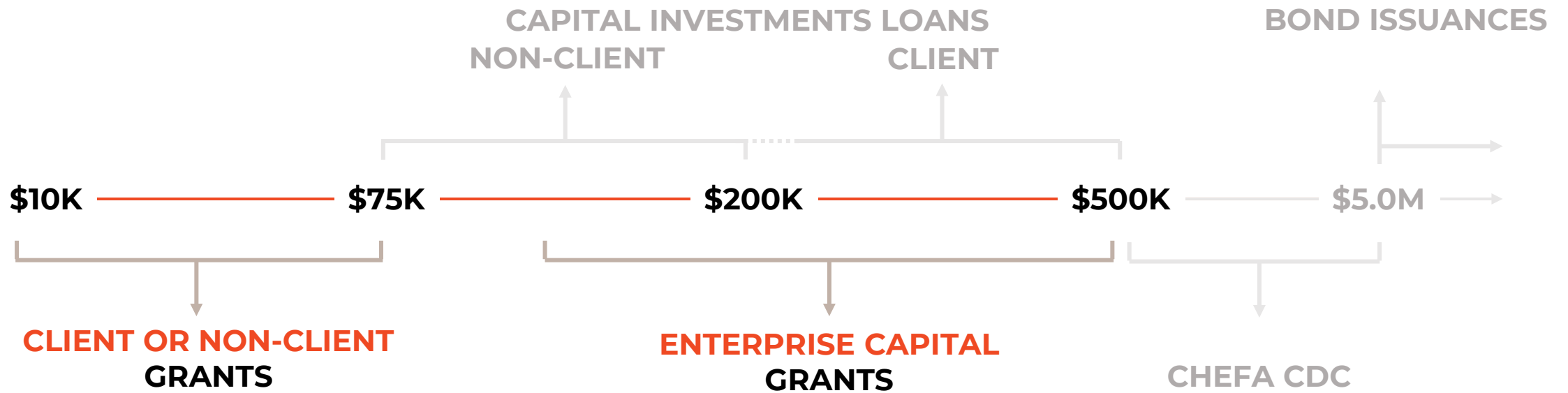
- Authorization from Applicant's Board or other approved governing body to enter into the Loan Agreement and Promissory Note.
- Approval from existing creditors to incur additional indebtedness may be necessary.
- Reimbursement of CHEFA's expenses related to the loan:
  - Title Search
  - Document and Filing Fees of Mortgage (if required)
- Loan Documents:
  - Loan Agreement
  - Promissory Note
  - Loan Amortization Schedule
  - Mortgage and/or Security Agreement (if required)
  - IRS 501(c)(3) Determination Letter
  - State of Connecticut Campaign Contribution Certification



# GRANT PROGRAMS



# FUNDING CT NONPROFITS: GRANT PROGRAMS



## OVERVIEW

*Established in 2002 to support Connecticut nonprofit and public educational units, as defined in C.G.S. §10a-1.*

- Disbursed more than \$49.5 million in funds to Connecticut nonprofits.
- One of only a few major statewide philanthropic programs that provides critical funding for both program and capital expenditures.
- Core funding priority areas consist of healthcare, education, childcare, and culture.
- Three grant cycles:
  - John M. Biancamano Client Grant Program
  - CHEFA Nonprofit Grant Program
  - Enterprise Capital Grant Program





# ENTERPRISE CAPITAL GRANT PROGRAM



## WHAT IS ENTERPRISE CAPITAL?

- Also called “philanthropic equity” or “net assets grants”
- Used to build an organization’s balance sheet and provide flexibility for pursuing strategic objectives
- Long-term approach to structure capital funding and promote organizational strength, resilience and growth
- Funds could also be catalytic and spur funding for new initiatives with funding from additional entities



## ENTERPRISE CAPITAL VS CONVENTIONAL GRANT FUNDING

- Requires evaluation of organization's business model/strategic plan
- Requires the ability to identify existing and future revenue sources
- Requires evaluation of existing organizational structure to determine appropriate resources devoted to mission and programs – appropriate staffing and board oversight
- Enterprise Capital acts as capacity building for the organization



# ENTERPRISE CAPITAL GRANT PROGRAM

## Program Overview

- Grant Funding ranging from \$100,000 - \$500,000 to fund Enterprise Capital investments
- Funding may be used for capital or program expenses
- Funding is only restricted to the proposed investment
- Enterprise Capital investments must be in Connecticut

## Eligibility Requirements

- 501(c)(3) organizations or public educational institutions
- Must be in good standing with any CHEFA issued financing

## Additional Information

- CHEFA does not award grants for Basic Human Needs and religiously sectarian services



# WHAT IS AN ENTERPRISE CAPITAL INVESTMENT?

## **Proposed investments that support strategic initiatives and improves financial viability and capacity building potential**

- Development of new programs that create a new revenue stream
- Expanding an organization's reach and impact to new communities
- General strengthening of the organization's financial position

## **Dual Impact**

- Impact on the current or new people served
- Impact on the organization's current financials and long-term financial outlook

## **Strategic Plan Requirement**

- Proposed Investment must be in support of a recently approved strategic plan or one that is currently in process



## Program Timeline

**December 19, 2024 @ 4:00 PM**

Letters of Interests due

**January 31, 2025**

Approved Applicants invited to submit full application

**February 4, 2025**

Application Overview Virtual Meeting

**March 27, 2025 @ 4:00 PM**

Full Applications due

**May 30, 2025**

Selection of Finalists

**June 2025 – July 2025**

Site Visits and Management Presentations with Finalists

**July 31, 2025**

Payments of Grants



# NONPROFIT GRANT PROGRAM



# Nonprofit Grant Program

## Program Overview

- Grant Funding ranging from \$5,000 - \$75,000
- Funding may be used for capital or program expenses

## Eligibility Requirements

- 501(c)(3) organization
- Organizations must not be existing CHEFA clients, or obligors of CHEFA issued tax exempt debt
- Applicant has not received a grant in each of the past three nonprofit grant program cycles

## Additional Information

- CHEFA does not award grants for Basic Human Needs and religiously sectarian services
- Funding can't be used for capital campaigns, debt reduction, conferences, or other one-time events
- CHEFA reserves the right to reject any applications that are incomplete or incorrect





# CAMPAIGN CONTRIBUTION CERTIFICATION

Connecticut General Statutes Section 9-612(f)(2)(F) requires a principal of a state contractor or **prospective** state contractor to make the disclosures and certifications set forth on the Campaign Contribution Certification form.

## Who is required to complete the form?

- Any applicants seeking CHEFA financing or grant funding.
- Form must be received at time of application and be up to date.
- Must be signed by Commissioner of the Superior Court or Notary Public.

## Who is required to disclose campaign contributions?

- Principal of a state contractor or prospective state contractor:
  - Employed individuals who have the title and responsibilities of a president, treasurer, executive vice president and chief executive officer.
  - Officer or an employee who has managerial or discretionary responsibility with respect to a state contract.
  - Spouse and dependent child who is at least 18 years old of an individual described above.
  - Members of nonprofit board or directors are excluded.



## Program Timeline

December 19, 2024 @ 4:00 PM

Letters of Interest due

February 7, 2025

Approved Applicants invited to submit full application

March 20, 2025 @ 4:00 PM

Full Applications due

May 30, 2025

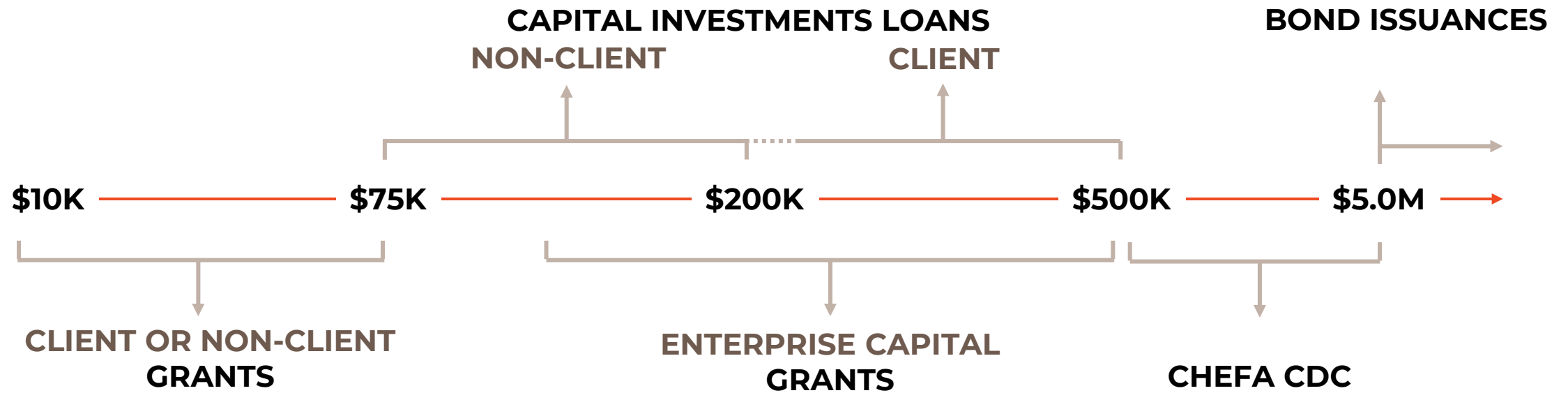
Final Award Announcement

June 30, 2025

Payments of Grants



# FUNDING CT NONPROFITS: HOW CHEFA CAN FUND YOUR NEXT INITIATIVE





# CHEFA

Connecticut Health & Educational  
Facilities Authority

**JEANETTE WELDON**

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