



WACHOVIA

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# Wachovia Community Development Finance

*Reinventing Older Communities: How Does Place Matter?  
New Markets Tax Credits  
Philadelphia, PA*

*March 27, 2008*

# Who Is Wachovia In The Community?

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## 2006 Points Of Pride

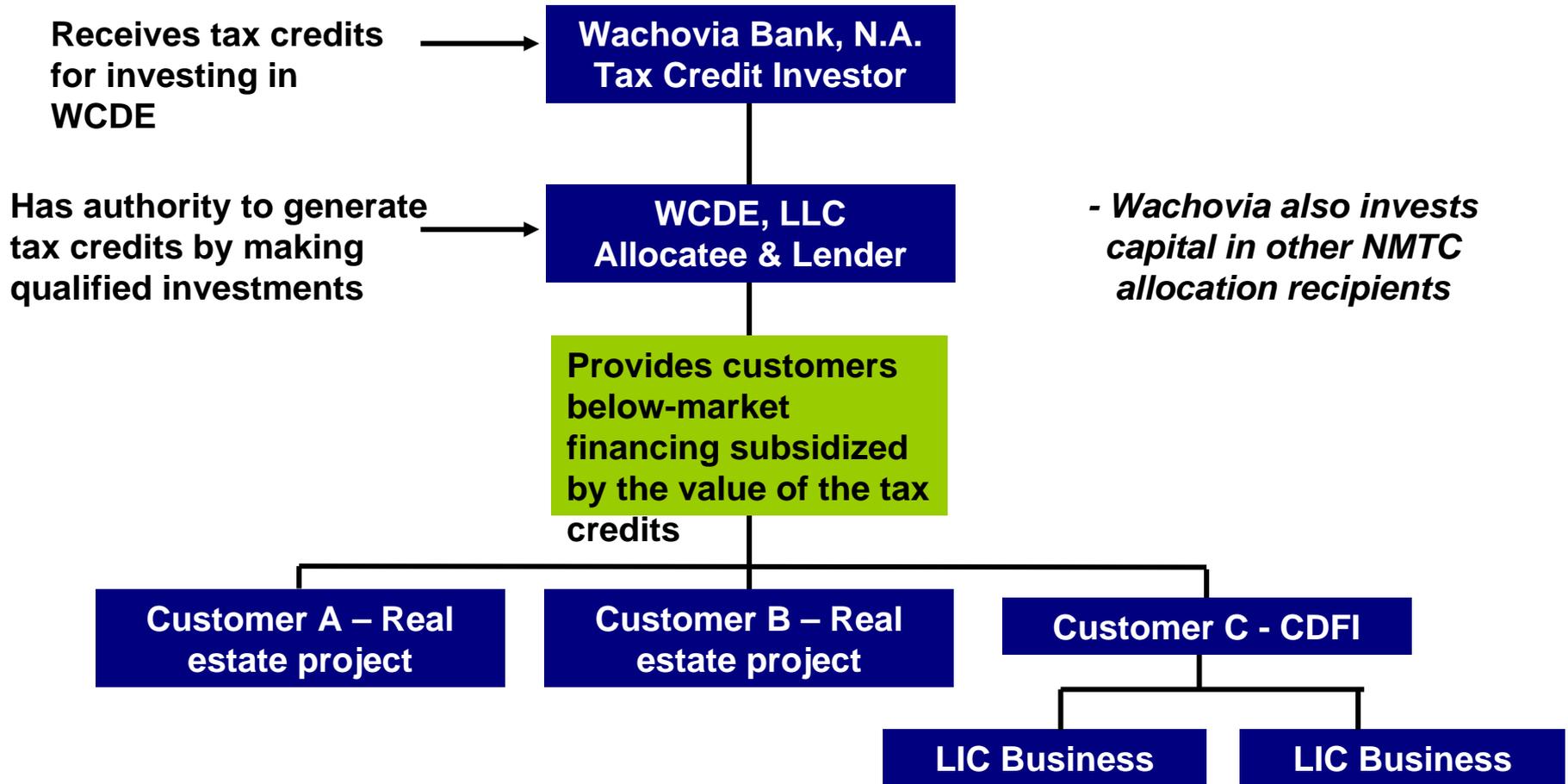
- Contributed nearly \$118 million to charitable organizations through company and foundation giving.
- Provided \$30 billion in community loans and investments to revitalize neighborhoods.
- Provided more than \$15 billion in small business loans to nearly 80,000 entrepreneurs building their businesses.
- Invested nearly \$210 million in equity to create more than 1,700 affordable rental-housing units.
- Helped an average of 429 low- and moderate-income families and families in low- and moderate-income neighborhoods buy a home each week.
- Received an “Outstanding” rating from Office of the Comptroller of the Currency for Community Reinvestment Act performance in its most recent review.

# NMTC at Wachovia – Transaction History



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- We have received \$487 million in NMTC allocation (Rounds 1, 3, 4 and 5) since program inception.
  - We have closed 63 deals for \$475 million, of which \$324 million was from our allocation, \$151 million was from seven other CDEs.
  - The scale of Wachovia's program as investor and allocatee, combined with its philosophical approach to deal selection, has resulted in a substantive positive impact on our communities:
    - 6,828 permanent jobs in low income communities have been created.
    - Over 91% of NMTC projects have been in specially targeted areas of higher-distress (at least 30% poverty; less than 60% of AMI, etc.)
    - 7/8 of NMTC projects have been in urban areas, 1/8 in rural areas.
    - 6.3 million square feet of commercial space (office, hospitality, retail and manufacturing) has been constructed or rehabilitated.

# How Does The NMTC Work at Wachovia?



# Community Impact



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- Community impact must be significant. Examples of positive community impact would include the following outcomes for low-income persons (or residents of low-income communities):
  - The proposed transaction will:
    - Create or retain jobs or increase wages;
    - Finance or assist businesses owned by low-income persons or residents of low-income communities, or that are otherwise committed to remain in such communities;
    - Finance or assist minority- or women-owned businesses;
    - Finance or assist businesses and non-profit organizations or real estate projects that provide childcare, health care, educational, or other benefits;
    - Facilitate wealth creation or asset accumulation such as home ownership;
    - Provide goods and services to low-income persons or residents of low-income communities.

# WCDE's NMTC Targeted Deals

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- **Real Estate Loans secured by:**
  - Multi-tenant office buildings
  - Grocery and/or credit tenant anchored shopping centers
  - Single-site distribution or warehouse centers
  - Business/office parks
  - Single-site manufacturing facilities
  - Mixed-use developments (retail/multifamily): Mixed-use including some residential rental may qualify based on the specific circumstances.
  - Charter schools, community centers, childcare centers, and other community facilities
- **Loans to Community Development Financial Institutions**

# WCDE Production Description



- Senior lending at below market interest rates (generally a 3.0% interest rate reduction on the senior loan).
  - For example, instead of lending at a market rate of LIBOR + 200 bps, WCDE could lend at LIBOR - 100 bps, using NMTC to subsidize the lower return on the loan.
- WCDE can provide “gap” financing supported by normally underwritten senior debt or other sources.
  - Using WCDE to provide senior debt or to aggregate third party sources creates tax credit value that can be passed on to the customer as forgivable debt. Usually, an additional 25% based on the conventional sources can be used to fund shortfalls in project capital.
- Many sources of public and grant funds can be leveraged through NMTC structures to increase the amount of subsidy that can support a project.

## WCDE Production Description (contd.)

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- Loan Term: 7-year maturity, interest only
- Loan prepayments are not permitted under the program.
- Loan will be underwritten to standards that allow for a market takeout at the end of 7-year term.
- If gap financing is provided, it is structured so that it can be converted to permanent capital at the end of the 7-year compliance period.

## Project Spotlight: Nueva Esperanza Academy Charter School



**Nueva Esperanza, Inc.**  
**4231 N. 5<sup>th</sup> Street**  
**Philadelphia, PA**

**Wachovia NMTC Investment (\$):** \$9.6 million subsidized rate first mortgage

**Population served:** Individuals with incomes of 31% of area median, a poverty rate of 47% and an unemployment rate in excess of 1.5 x the national average.

**Project Overview:** The loan was provided to lower the interest rate on existing debt that was used to finance the purchase and renovation of Nueva Esperanza Academy Charter School, additional office space for Nueva Esperanza, additional classroom space and gymnasium for the Nueva Esperanza Academy Charter School and to build out an additional 10,200 square feet of space used for Nueva's expanded Employment and Job Training programs and the Center for Higher Education.

**Community Impact:** Lower debt service enables more cash to be available to operate and expand the charter school operations, job training and post secondary education services for the immediate community. There are currently 580 students in the chartered high school and 50 in the 2-year degree program operated in conjunction with Eastern University. 4261 Corp. assists approximately 200 individuals per year through its job training program and a similar number through the housing counseling program.

## Project Spotlight: Park West Town Center



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**Park West Town Center**  
**52<sup>nd</sup> and Jefferson Streets**  
**Philadelphia, PA**

**Wachovia NMTC Investment (\$):** \$17.66 million of New Markets Tax Credits utilized: Market rate, first mortgage loan of \$14.1 million and a low rate, deeply subordinated loan of \$3.56 million.

**Population served:** Individuals with incomes of less than 60% of area median living in an empowerment zone and a Brownfield site.

**Project Overview:** Park West Town Center will be a 340,000 square foot retail center anchored by a Lowe's Home Improvement Warehouse, a Shop-Rite Supermarket, Wachovia Bank branch, plus a mix of small retail stores and restaurants.

**Community Impact:** Creation of 800 permanent and 420 construction jobs, provision of basic retail services (grocery, banking, household items), revitalization of blighted city block and capitalization of local CDC/CDFI servicing the community.