



2009 Broward Alliance Development Conference

Chinese Word
for Crisis =



Opportunity

Danger

Seizing the Day:
Today's Crisis Produces
Tomorrow's Opportunity

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Strategic Development Solutions



Crisis Produces Opportunity/Danger

The Worst Times Produce the Best Opportunities

- ✓ **A current study by the Kauffman Foundation finds that:**
 - Difficult economic times trigger vast new numbers of startups
 - This creates much needed new high quality jobs
 - Recessions don't have a negative impact on new business formation
 - Job creation from startups is much less volatile in downturns than the overall economy
- ✓ **Private equity is always contrarian**
 - TBL Funds are always best started in down times to profit from the upswing
 - TBL Funds generate superior returns finding opportunities in underserved markets
 - This is true of TBL real estate funds as well as TBL venture funds



Economic Innovation and SDS: Pioneers in Building TBL Industry

- ✓ **Economic Innovation and Strategic Development Solutions Together**
 - Pioneered building a new \$20 billion Triple Bottom Line private equity industry
 - Built and capitalized the defining \$2 billion TBL private equity funds
 - Jointly manage \$125 million National New Markets Fund, LLC

- ✓ **Economic Innovation: Founded by Belden Hull Daniels in 1970**
 - \$150 billion privately capitalized TBL funds built in the past four decades
 - A dozen new TBL industries created that never existed before
 - Taught Development Finance at Harvard and MIT for many years

- ✓ **Strategic Development Solutions: Founded by Deborah La Franchi in 2001**
 - 15-Person Economic Development and Fund Building Firm
 - Deborah La Franchi Was Genesis LA's First CEO
 - Six funds capitalized at over \$500 million
 - More than \$1.5 billion in deals in LMI neighborhoods
 - Former Assistant Deputy Mayor for Economic Development
 - Los Angeles Mayor Richard Riordan



TBL Funds that Could Make a Difference in Broward

- I. TBL Private Equity Funds
 - TBL Real Estate Funds
 - TBL Venture Funds
- II. TBL New Markets Tax Credits
 - TBL National New Markets Fund
- III. TBL Development Finance Authorities
- IV. New TBL Stimulus Funds

I. Triple Bottom Line Funds

Economic Innovation and SDS:

- ✓ Pioneers in creating a new \$20 billion national TBL private equity fund industry
- ✓ \$2 billion in committed capital in TBL private equity funds built by Economic Innovation and SDS set the industry standard

1st Bottom Line

FINANCIAL

Risk-Adjusted Market Rates of Return

Consistent Net-Net-Net Mid-Teen Returns

Diversified Portfolio

Upper Quartile Professional Management

2nd Bottom Line

SOCIAL/COMMUNITY

Investment in Low- and Moderate- Income (LMI) Census Neighborhoods

CRA Qualified (for banks)

Measurable Job Creation/Revitalization

Measurable Tax Revenue Generation

3rd Bottom Line

GREEN

Investment in LEED Certified, Energy Star or Equivalent Developments

Reduced Resource Usage

Sustainable Buildings

Environmental Cleanup

Smart Growth



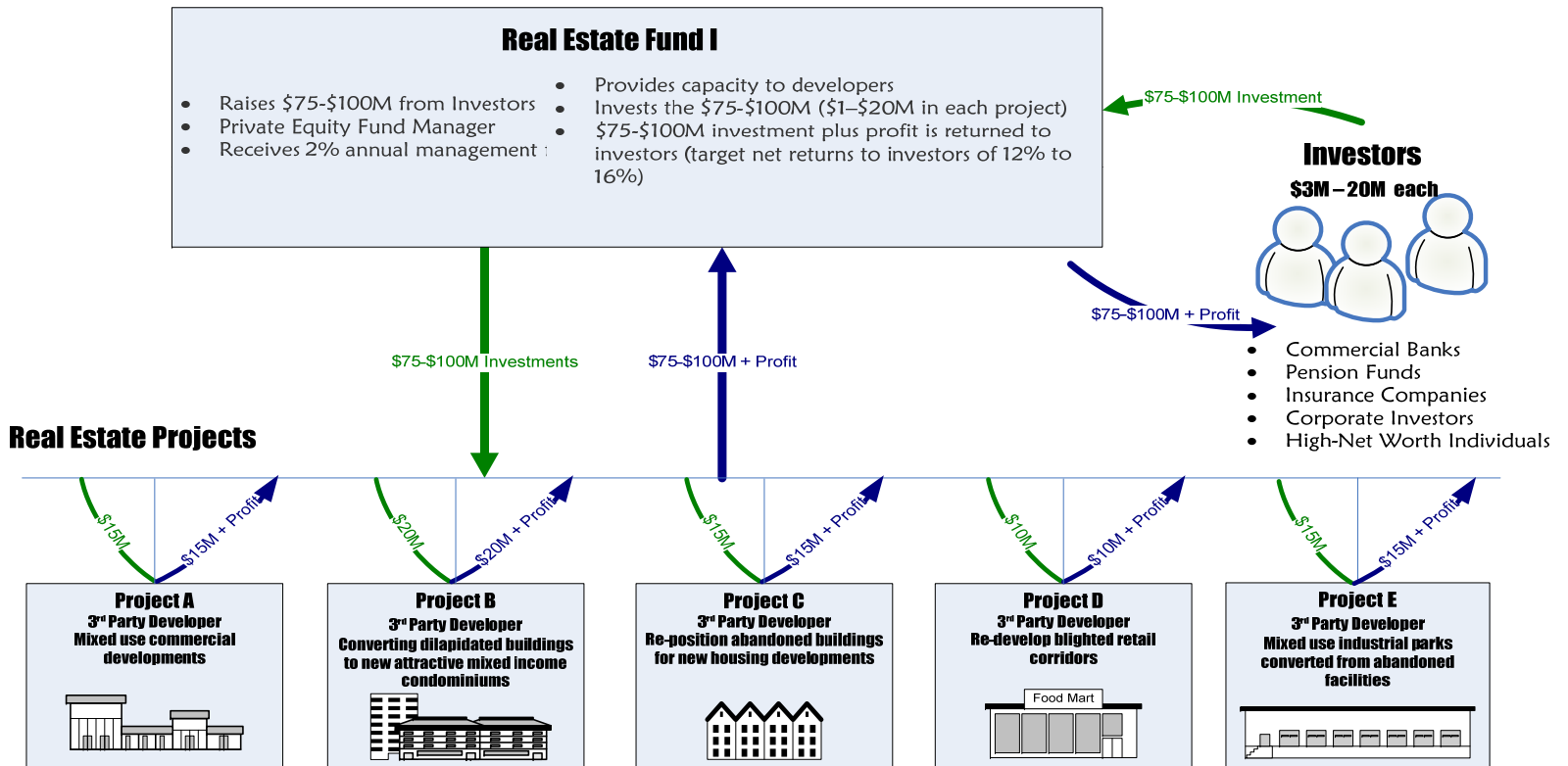
I. TBL Fund Institutional Investors

- **Commercial Banks:** JPMorgan Chase, Wells Fargo, Bank of America, Citigroup, Union Bank, US Bank, and many regional and community banks
- **Insurance Companies:** AAA, Axa, Hancock, Liberty, Mass Mutual, Mercury, Met Life, NY Life, Northwestern, Pacific Life, PMI, Prudential and others
- **Foundations:** California Community, Annie E Casey, Ford, Jacobs, Heron, Kellogg, Knight, MacArthur, Mary Reynolds Babcock, McCune, Shreveport-Bossier Community Foundation, family foundations and others
- **Public Pension Funds:** CalPERS, CalSTRS, Contra Costa County, Connecticut, LACERA, LACERS, MassPRIM, NYCERS, NY Common and others
- **Union Pension Funds:** AFL-CIO Housing and Building Trust, SEIU
- **University Endowment Funds**
- **Faith-Based Investors**
- **High-Net-Worth Individuals and Local Investor Groups**

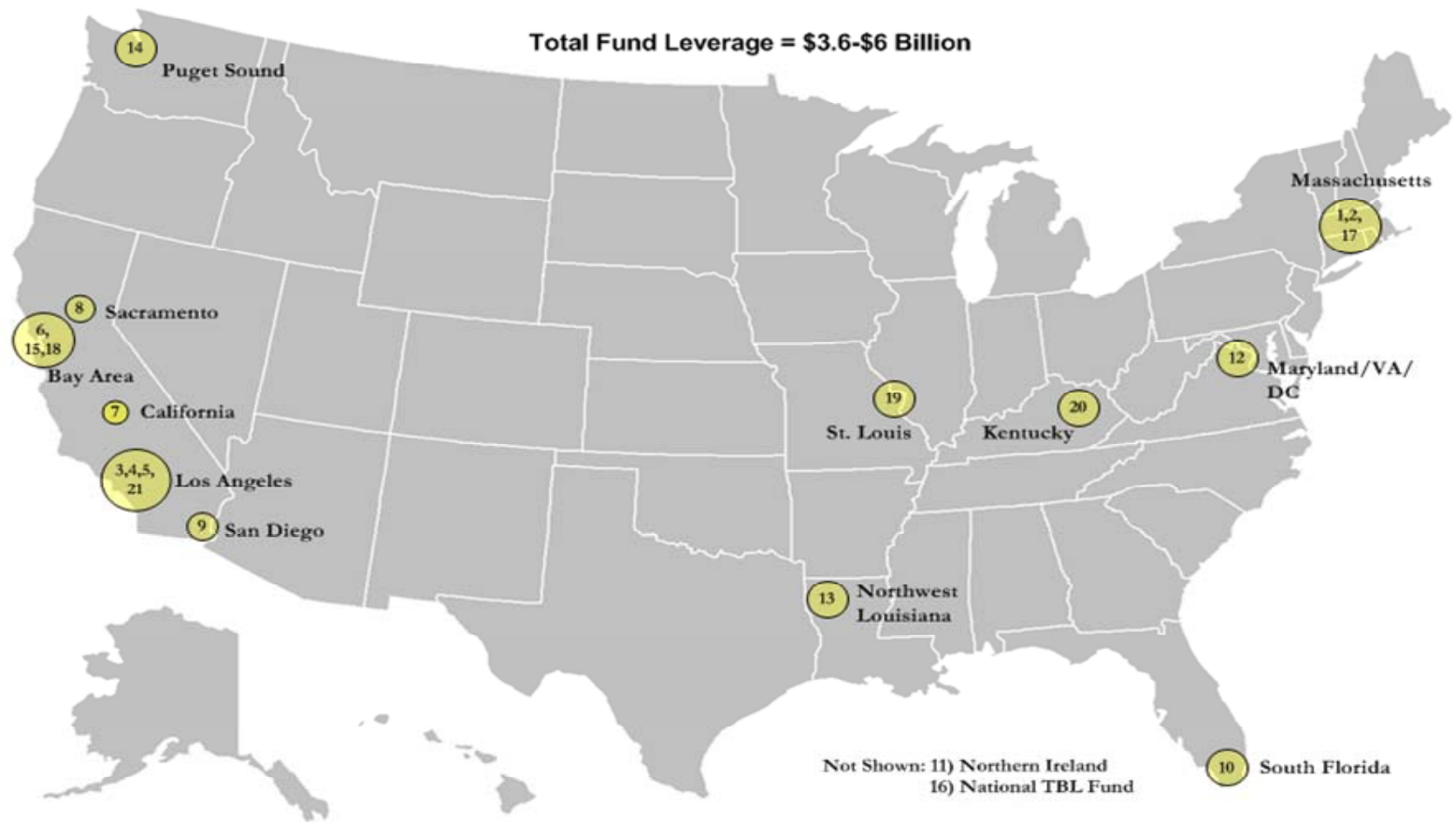
I. How TBL Funds Work

Real Estate Fund I

- \$75-\$100 million Double Bottom Line Real Estate Fund I.
- Fund I would invest only in LMI neighborhoods, producing a risk-adjusted market-rate of return for institutional investors.



I. Economic Innovation and SDS TBL Funds Built to Date





I. TBL Real Estate Funds: Van Nuys Business Park



- \$85M Genesis Real Estate Fund I
- San Fernando Valley – Abandoned Defense Site
- \$5.5M Acquisition Loan/Mezzanine Loan
- 18 Acres; 8 Buildings; 330,000 Square Feet
- 400 Jobs
- All Buildings Leased or Sold Before Completion
- Small to Medium-Sized Companies



I. TBL Real Estate Funds: Puerta Del Sol



- \$100M Genesis Workforce Housing Fund I
- Los Angeles, CA
- 165 for-sale residential units
- Retail/office
- Child care center, community arts center
- Senior affordable and tax-credit units built on adjacent site
- Transit-oriented site at Gold Line Metro
- One of fastest selling projects in LA County



I. TBL Real Estate Funds: A Radical Project in a Small Market: RiverScape

A Sow's Ear Made Into a Silk Purse

- ✓ \$40M Northwest Louisiana Community Development Fund I in Shreveport
- ✓ A 100+ acre, mixed-use, mixed-income, smart growth development near downtown Shreveport
 - Mixed-use town center in a traditional neighborhood development
 - Market-rate, workforce, and affordable housing
 - Walkable neighborhoods, pocket parks and green spaces
- ✓ Integrated Development:
 - Upper, middle and lower income residents
 - African American and Anglo American residents
- ✓ First-Time Homebuyers: JPMorgan Chase and Volunteers of America
- ✓ Joint Venture: 50/50 joint venture, NFP African-American Church/FP Developer
- ✓ Many African American developer and contractor opportunities

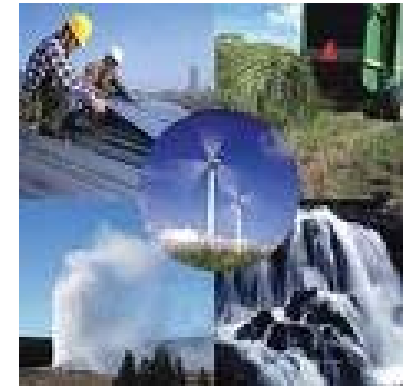




I. TBL Venture Funds

✓ Benefits:

- Builds and Supports Clean/Green Tech Industry
- Keeps Rapidly Growing Startup Firms Local
- Grows New Tech Centers Beyond MA and CA
- Grows Venture Capital Centers Outside MA and CA
- Creates Copycat and Serial Entrepreneurs
- Creates High Quality Jobs



✓ Models:

- \$150M St. Louis Vectis Life Sciences Funds I & II: Anchoring an emerging life sciences industry in the low income neighborhoods of St. Louis.
- \$150M Bay Area Equity Funds I & II: Multi-tech fund with about 50% of its capital in “Green” and “Clean” technologies.
- Alamo Multi-Tech Venture Capital Fund-of-Funds (San Antonio): Capitalization beginning 4th quarter 2009. Modeled on the success of Vectis and Bay Area Funds.



I. TBL Bay Area Equity Fund I:



50% of Bay Area Equity Fund I Invested in Alternative Energy

- TBL Bay Area Equity Fund I is \$75M, currently raising \$150M Fund II
- SolarCity: Installer of residential and small commercial solar power systems
- For customers with high electricity bills: 15-20% IRR and 5-8 year payback (tax credit: 30% of cost)
- Low-cost customer financing first with Morgan Stanley, US Bank
- Bay Area Equity was first investor in: \$5M investment
- 2007 rev: \$23M (1st year of operations)
2008 rev: \$63M
2009 rev: \$85M (projected)
- 63 employees when first funded (April 2007)
348 employees (March 2009)
- Job training program, training facility in low-income community, solar matching program w/ nonprofits
- Appreciation since initial investment: 8.7x





II. New Markets Tax Credit Overview

Jim Carras Will Talk in More Detail About NMTCs

- ✓ **Purpose:** Stimulate investment, attract institutional capital to low-income communities
- ✓ **Year Enacted/Total Amount Awarded:**
2000/\$19.5 billion
- ✓ **Allocated:** Annually by Community Development Financial Institution (CDFI)
- ✓ **NMTC Benefits:**
 - Fills gap in a project's financing
 - Reduces risk of project by reducing capital cost
 - Stabilizes/increases project IRR
- ✓ **NMTC Proceeds:** Equity, debt, grants, a mixture



II. TBL National New Markets Fund (NNMF)

NNMF is a Paradigm NMTC TBL Fund

- ✓ **Fund Size:** \$125 million with 3 allocations in 2006, 2007 & 2008
- ✓ **Focus:** Sound, highly impactful, TBL investments
- ✓ **TBL Impacts:**
 - 1st: Sound projects, economically and financially
 - 2nd: Measurable job, income & wealth creation and community revitalization
 - 3rd: Sound environmental impacts (generally LEED, Energy Star or equivalent)
- ✓ **Geographical Footprint:**
 - Underserved low-income areas in Central Valley, CA
 - Underserved low-income areas in Southeast U.S.



II. NNMF TBL Investment: Plaza Adelante



- ★ Mission District in San Francisco, CA
- ★ Mixed-Use, Office
- ★ Historical Rehab to House up to 10 Not-for-profits
- ★ Multiple Social Services for Low-income Families
- ★ **1st BL: \$9.5 MM Total Development Cost, \$9 MM NNMF Investment**
- ★ **2nd BL: 8.1% Unemployment Rate, 53% AMI**
- ★ **3rd BL: LEED Certification, Solar Panels**



II. NNMF TBL Investment: Mercy Corps World Headquarters

2008 Winner Novogradac National Community Development Award



- ★ Very Low-Income Neighborhood in Portland, OR
- ★ Office, Commercial
- ★ Consolidate Mercy Corps' Global Headquarters
- ★ **1st BL: \$38 MM Total Development Cost, \$7.5 MM NNMF Investment**
- ★ **2nd BL: 62.3% Poverty, 51.7% Unemployment**
- ★ **3rd BL: LEED Gold**



II. NNMF TBL Investment: Second Line Stages

HURRICANE KATRINA:

- ✓ The Costliest Hurricane Ever
- ✓ One Of The Five Deadliest Ever



- 1800+ Deaths
- \$90 Billion in Property Damage
- 30 Oil Refineries Damaged; 9 Never Reopened
- More than 1 Million Housing Units Flooded
- Unemployment Doubled in One Month from 6% to 12%
- 25% Poverty Rate Before “*The Great Recession*”
- New Orleans Tourism Industry Was Destroyed



II. NNMF TBL Investment: Second Line Stages

2008 Winner CDFA “Nation’s Best Tax Credit Project”



- ★ Devastated Neighborhood in New Orleans, LA
- ★ Post-Katrina, Tourism is in Freefall
- ★ Film Production is LA’s Fastest Growing New Industry
- ★ State-of-the-art, Full-service Film Production Facility
- ★ First Green Production Studio in the U.S.
- ★ **1st BL: \$41 MM Total Development Cost, \$6 MM NNMF Investment**
- ★ **2nd BL: 25% Poverty, 12% Unemployment**
- ★ **3rd BL: LEED Silver**



II. NNMF TBL Investment: Second Line Stages

2008 Winner CDFA “Nation’s Best Tax Credit Project”

- ✓ A Devastating Tragedy Creates Enormous Needs
- ✓ Building a Sound Stage Anchors a Rapidly Growing New Industry
- ✓ Training LMI Residents Creates New Job Opportunities:
 - 2,835 Direct, Often High Value Jobs
 - 2,619 Indirect Jobs
- ✓ More Income, Wealth and Tax Base in the Community:
 - \$22 million in Federal Taxes over 7 Years
 - \$13 million in State and Local over 7 Years
- ✓ Constructing and Operating Green:
 - Creates a National Model for Film Production
 - Creates a Local Model for Green Development



III. TBL Development Finance Authorities

- ✓ The most powerful development mechanisms in the U.S.:
 - Powerful, large-scale, multi-purpose development banks
 - Bring long-term global debt capital to high impact local projects
 - Undertake large-scale development projects
- ✓ Paradigm: \$20B MassDevelopment
 - Pre-eminent state development finance authority in the nation
 - Undertakes more than \$1 billion of new financing each year
 - Diverse and Large-Scale Projects:
 - Redeveloping large former military and industrial facilities
 - Building whole new towns
 - Major infill developments in low-income neighborhoods
 - Turn-key facilities for leading research universities and technology industries
- ✓ Economic Innovation has helped build 12 statewide development finance authorities in: AK, AR, CO, CT, FL, KS, MA, ME, NE, VA, WA, and WY



IV. New TBL Stimulus Funds

The Federal Stimulus and TARP Create Enormous New Opportunities

- ✓ \$787B American Recovery and Reinvestment Act
- ✓ New Financing Tools for Economic Development and Clean, Efficient Energy Projects:
 - \$100B Department of Energy - Loan Guarantee Program
 - \$50B Build America Bonds
 - \$3.2B Qualified Energy Conservation Bonds
 - \$2.4B Clean Renewable Energy Bonds
 - \$150M Economic Development Assistance Programs
 - \$16.8B Other Energy Efficiency and Renewable Energy Programs

Mastering These New Finance Products is Surfing a Tsunami:
Crisis Continues to Create New Opportunities



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Contrarian TBL Funds Created in Bad Times Work Best



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