



## Financing available to help not-for-profits through the New Market Loan Fund

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NYS Industrial Development Agencies have long been a major source of financing assistance for not-for-profit entities. Unfortunately, that assistance is currently on hold until the Legislature enacts a fix to the sunsetted legislation. In the meantime, IDAs are frustrated about their inability to assist 501C3 organizations. The good news is that there is a program available to provide financing to nonprofits- the New Market Loan Fund- brought to NY through the nationally renowned Community Reinvestment Fund (CRF), a 45 year old community development institution. The New Market Loan fund provides second mortgage financing for not-for-profits to acquire, renovate, and/or construct their own facilities.

Typically, the project costs are shared as follows: banks and other partners finance 50% of the total project with a first mortgage loan. The New Market Loan provides a 40% second mortgage loan (maximum \$3 million). The buyer puts in 10% equity. Percentages are based on total project cost including acquisition, construction, renovation, equipment, and soft costs. Once IDAs can again handle not-for-profit transactions, the New Market Loan can combine with Industrial Revenue Bonds (New Market can even subordinate to a tax exempt bond!) and straight lease back transactions.

Terms are generous- 20 to 25 years. Rates are fixed and low-based on 7 or 10 year treasury plus a modest spread with even lower rates if the project is located in a New Market Tax Credit area. For projects in the neighborhood of \$10 million, the New Market Loan is an excellent solution to the financing needs. Some of the most recent types of deals done with this financing include:

\* Non-profit school- \$3.225 million real estate purchase - New Market Loan \$1.225 million in second mortgage position.

\* Transitional housing program-\$450,000 real estate purchase- New Market Loan \$400,000 first mortgage.

\* Children's Community Outreach Center- \$4 million real estate purchase including construction and soft costs; \$1.6 million New Market Loan second mortgage.

The New Market Loan can also provide refinancing when a nonprofit wants to use its facility's equity to refinance debt or put money into operations. And, the loan is also available to for-profit businesses.

For information about the New Market Loan Fund, a great financing resource for not-for-profits in NYS, visit the Greater New York Development Co. [www.gnydc.org](http://www.gnydc.org).

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