

Financing Main Street Development: Challenges and Opportunities

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Challenges

- Mixed-use:
 - Commercial tenants' credit quality is key to private financing
 - Does neighborhood have enough disposable income and/or density to support retail?
- Mixed-income rental housing: can market-rate units support their share of financing?
- Scale: Larger loans are easier to obtain than small loans *if* the economics can support them

Resources

- Low Income Housing Tax Credits
 - Can cover up to ~60% of cost of low-income portion
 - Community service facilities can be included in low-income or high-poverty areas
- New Markets Tax Credits
 - Can cover ~20-25% of development cost
 - For commercial and community facilities; only limited residential use
- Historic Rehabilitation Tax Credits
 - Can cover ~15% of rehab costs
 - Best in combination with LIHTC or NMTC
- All tax credits work better for larger properties

Resources

- Community Reinvestment Act
 - Not a subsidy
 - Banks required to meet community credit needs consistent with safety and soundness
 - Federal examiners rate banks' performance
 - Loans, investments, service
 - Works best in larger metro areas
 - Responsiveness, complexity, innovativeness
 - Pairs well with tax credits