HISPANIC HERITAGE COUNCIL
of Western New York, Inc.

CULTURAL INSTITUTE FINANCING PLAN

Conducted by Urban Vantage LLC

HHCI Project Updates

01 The $2.2 million foundation for the cultural institute has been completed (included in the $26.2m budget)

02 HHCI is working towards closing the $8.8 million dollar gap need to closing on construction financing

03 Next Steps: The Project is raising $2.5 million to fund the structural steel while working toward financing

04 HHCI is pursuing New Markets Tax Credits, applying for additional grants, and jumpstarting a capital campaign

05 The project has a two-story development model in the event that the gap in financing cannot be filled

Project Progression

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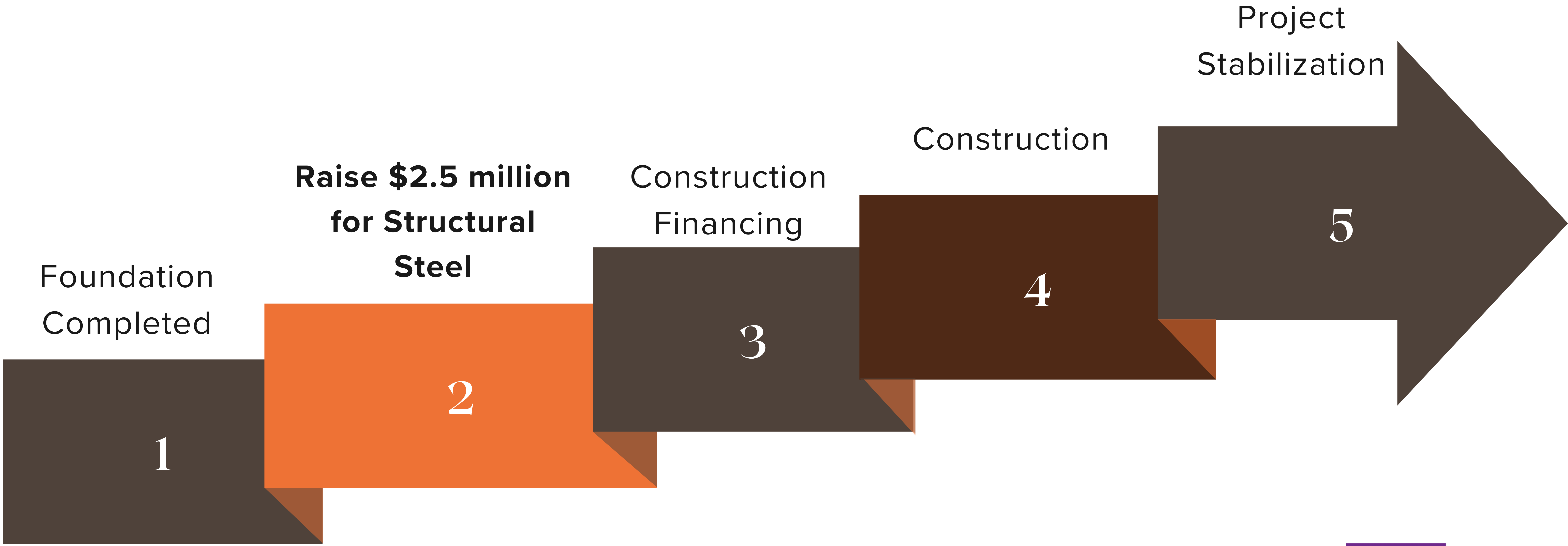
HHCI: Uses of Funds

USE	TOTAL AMOUNT	FUNDS EXHAUSTED TO DATE
Acquisition	$176,000	$176,000
Hard Cost (Construction) & FF&E	$22.5 million	$2.2 million
Soft Cost (Professional, Legal, Finance, Title, other)	$3.5 million	$1 million
Total Development Cost	$26.2 million	$3.4 million

NEXT STEPS: Raise $2.5 million for Structural Steel



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Capital Stack: Permanent vs. Construction

SOURCE	PERMANENT FINANCIAL CLOSING	CONSTRUCTION FINANCING CLOSING
Construction Bridge Loan	$0.00	$13.7 million
Grants Committed/Received	$18.2 million	$3.7 million
GAP	$8 million	$8.8 million
Total Development Cost	**$26.2 million**	**$26.2 million**

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CAPITAL STACK PERMANENT VS CONSTRUCTION

The capital stack is a debt and equity list detailing how the project will be funded during construction. This often involves short-term financing arrangements, such as construction loans, which provide the necessary funds to cover construction costs until the project is completed and can transition to permanent financing. Construction loans are typically secured by the underlying property or project assets and are repaid once construction is finished.

Tax credits are financial incentives provided by the state and federal government to encourage certain types of development or investment, such as affordable housing or renewable energy projects. These credits can be valuable sources of financing for real estate developers, but their timing can pose challenges.

Tax credits and many grant disbursement agreements may not be available until the project is operational; the full amount will not be available to fund construction directly. However, developers can leverage the anticipated future tax credits to utilize that source during construction through bridge or leverage loans. These loans are structured based on the expected future net equity generated by the tax credits once received.

In essence, HHCI will secure a bridge loan or leverage loan during construction, using the promise of future tax credits as collateral. Once the project is operational and particulate funds can be disbursed, the developer can repay the loan using the grants as collateral.

This dynamic creates a shift in the capital stack between the construction phase and the permanent financing phase. During construction, the capital stack may include short-term loans and equity, while permanent financing may involve a combination of long-term debt, equity, and tax credits. The timing of funds and the availability of tax credits play a significant role in shaping the structure of the capital stack throughout the project lifecycle.

Reducing Gap in the Capital Stack

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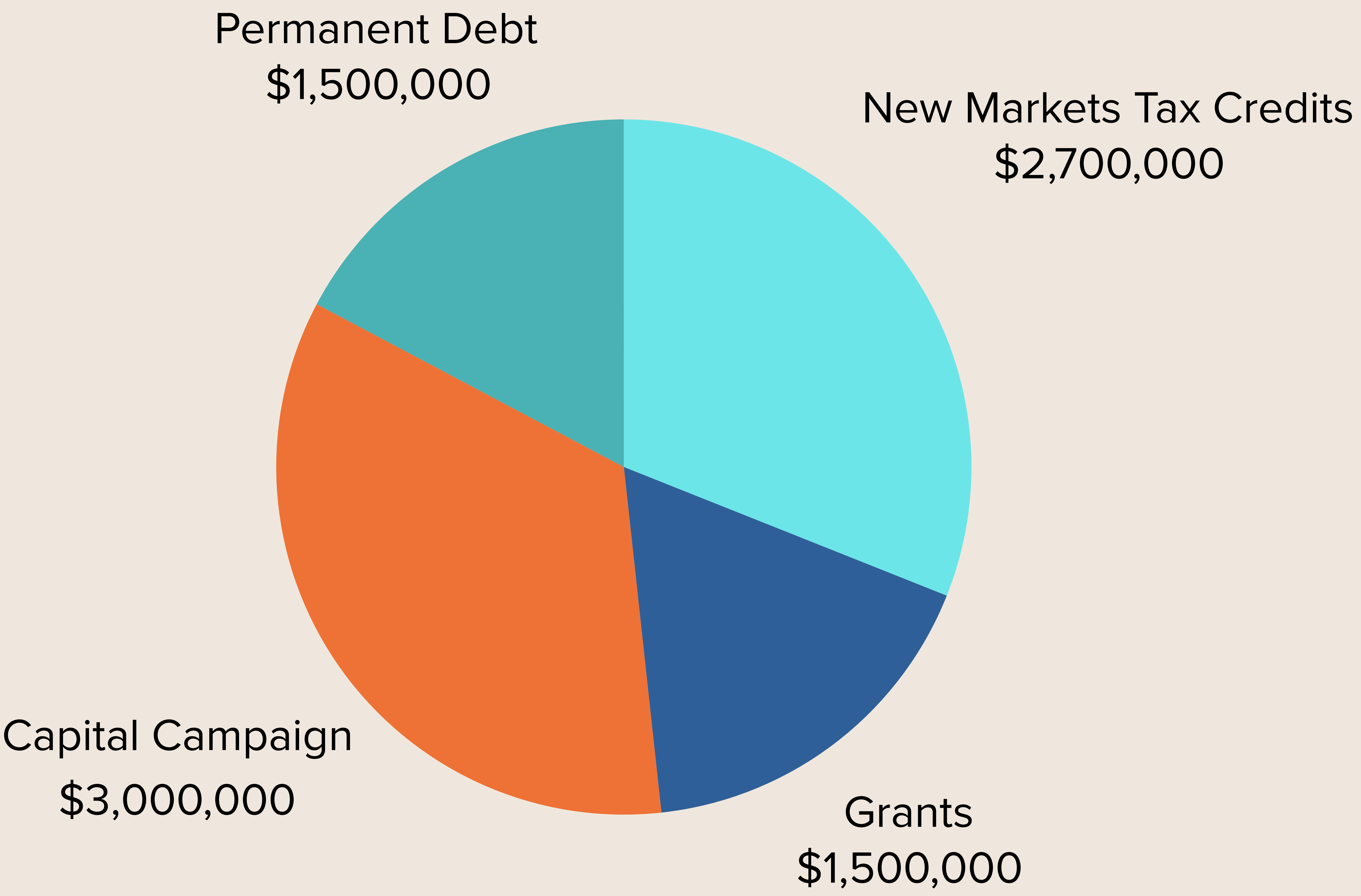
VALUE ENGINEERING

Value engineering involves reducing costs while maintaining or improving performance. It involves evaluating different components, materials, and methods to optimize resources and enhance efficiency without sacrificing quality. Ultimately, value engineering aims to achieve the best possible outcome regarding performance and cost-effectiveness. HHCI has reduced the budget through value engineering by $7 million.

SUBSIDIES & GRANTS

Subsidized loans can serve as a valuable tool in layering the capital stack. However, it's important to note that securing subsidized loans is competitive and is not guaranteed, as they often involve competitive application processes rather than automatic entitlement. Successfully obtaining subsidized loans can significantly enhance project feasibility and viability by reducing reliance on higher-cost financing options and increasing financial flexibility for developers.

Potential Sources to Reduce the Gap



Financing Plan

Grants and Subsidies: The project has received north of $18.2 million in grants to date. The project will leverage grants and subsidies from local municipalities and state and federal agencies. Nonprofits often have access to grant opportunities for community development, affordable housing, infrastructure projects, or other initiatives aligned with their mission. Securing these grants would provide significant upfront funding without the need for repayment, reducing the reliance on debt and equity.

Capital Campaign: The non-profit will continue to launch its capital campaign to raise additional funds from individual donors, corporate sponsors, and philanthropic foundations. Naming rights to portions of the project could be offered as incentives for larger donations. This approach taps into community support and allows individuals and organizations to contribute to the project while gaining recognition for their support.

Partnerships and Collaboration: The non-profit could explore partnerships with other organizations, businesses, or government agencies to share resources, expertise, and funding. Collaborative efforts can strengthen grant applications, increase fundraising opportunities, and reduce the non-profit's financial burden.

Tax Credits and Incentives: HHCI is pursuing New Markets Tax Credits (NMTCs), which could produce a maximum net allocation of equity towards the project of $2.7 million.

New Markets Tax Credits

NMTC Allocation	$15,000,000
Tax Credit %	39%
Tax Credit Value	$5,850,000
Net Syndication Cost	77%
Adjusted Qualified Expense	$4,504,500
Cost and fees to obtain	38%
Cash Value to project	**$2,792,790**

- NMTC is a federal program aimed at stimulating investment in low-income communities.
- Investors receive a tax credit over seven years, totaling 39% of the original investment, incentivizing capital flow into underserved areas.
- NMTC has successfully financed various projects, including commercial real estate, community facilities, and businesses, revitalizing distressed neighborhoods nationwide.
- NMTC targets areas with high poverty rates, unemployment, or lack of access to essential services, fostering economic growth and job creation.
- The program attracts private investment by providing investors with a substantial tax incentive, driving capital into underserved communities.
- NMTC leverages public and private resources, catalyzing significant investments in businesses, infrastructure, and community development projects.

Scenario 2: 2-Story Development

If the project is unable to secure additional funds to finalize the capital stack, it can support a $19 million two-story development. Given the reduction in gross square footage, the development plan would need to consequently reduce community-oriented uses that will serve the needs of the community as follows:

Community Benefit	Reduction to the Project
Project Gross Square Feet	Building square footage reduced from 37,116 to 26,231 (29.33% reduction)
Community Space	32.30% reduction is community oriented square footage
Event Space	Decreased by 67.65%
Commercial Kitchen	Reduced by 84.26%
Commercial Revenue	Reduced by more than $100,000 in annual proceeds to maintain operations

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Financing Plan

Hispanic Heritage Cultural Insitute

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