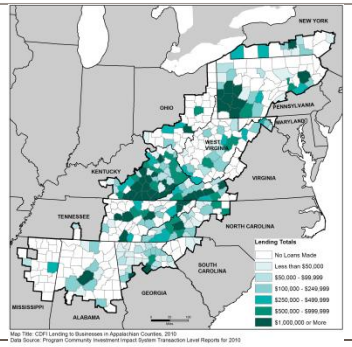
WOODSTOCK INSTITUTE

Advancing Economic Security and Community Prosperity

Community Development Financial Institutions, New Market Tax Credits, Revolving Loan Funds, and Equity Investors as Sources of Business Capital in Appalachia, 2007 and 2010



December 9, 2013

Spencer M. Cowan | Vice President
Woodstock Institute | Chicago, Illinois
scowan@woodstockinst.org | www.woodstockinst.org

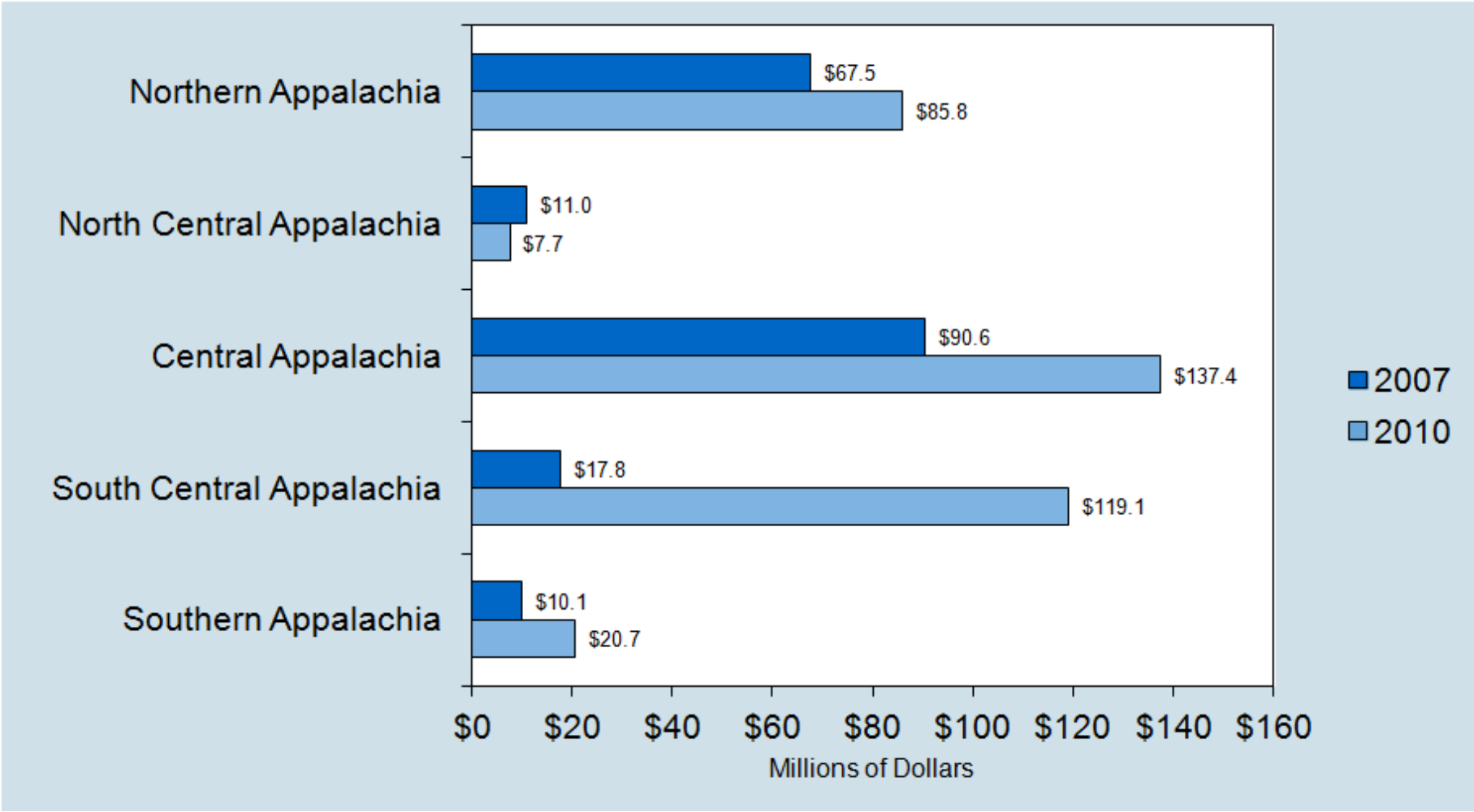
Objectives

- Examine access to business capital
  - from sources other than mainstream financial institutions and the SBA
- Community Development Financial Institutions (CDFIs)
- New Market Tax Credits (NMTCs)
- Revolving Loan Funds (RLFs)
- Equity Investors
  - venture capital
  - angel investors

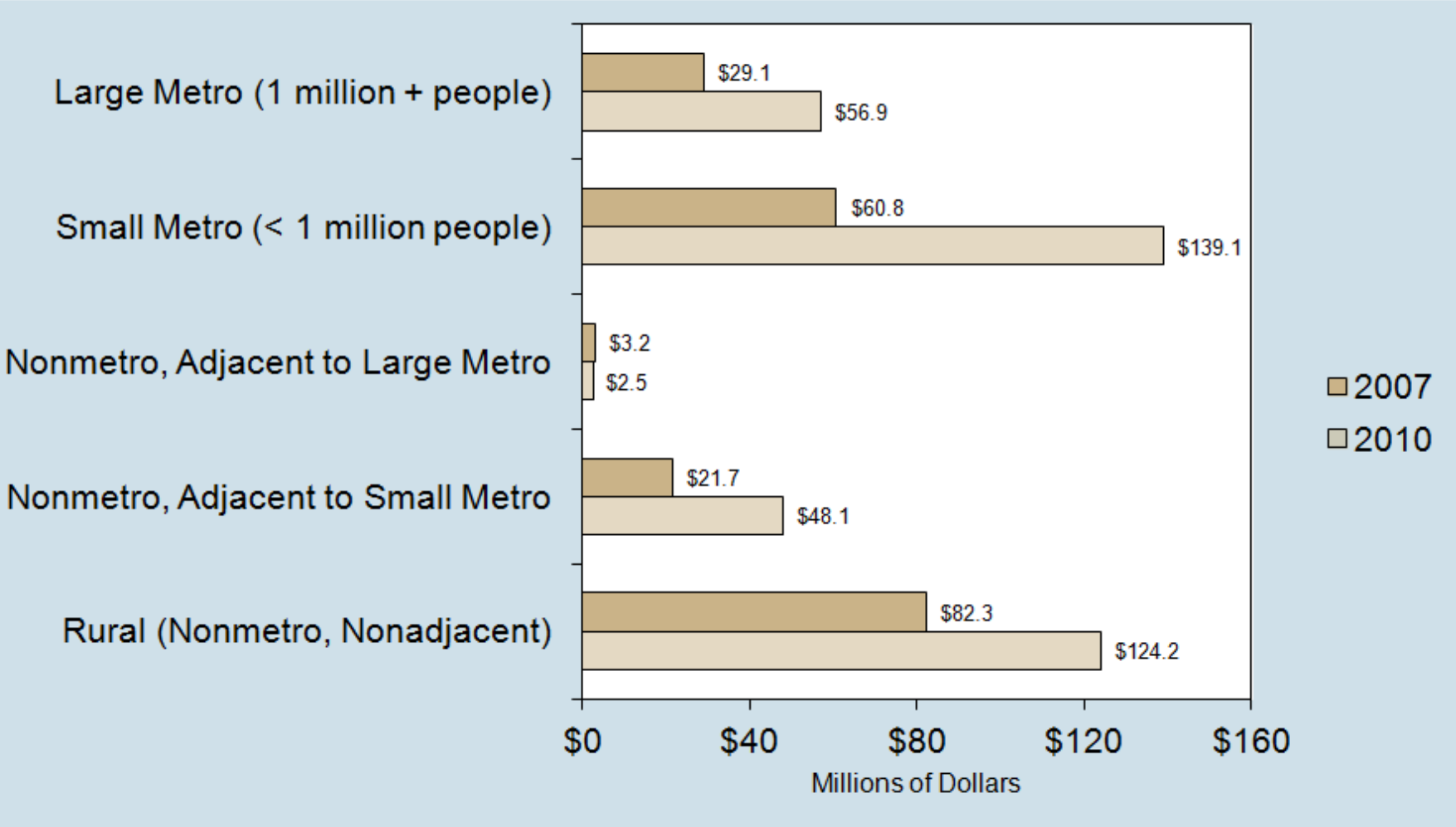
CDFI Lending in Region, 2007 and 2010

- Most CDFI lending from outside region
- Lending increased 88 percent between 2007 and 2010
  - from $197 MM to $371 MM
- Targeted to disadvantaged counties
  - Central and South Central Appalachia
  - small metro and rural counties

CDFI Lending by Region



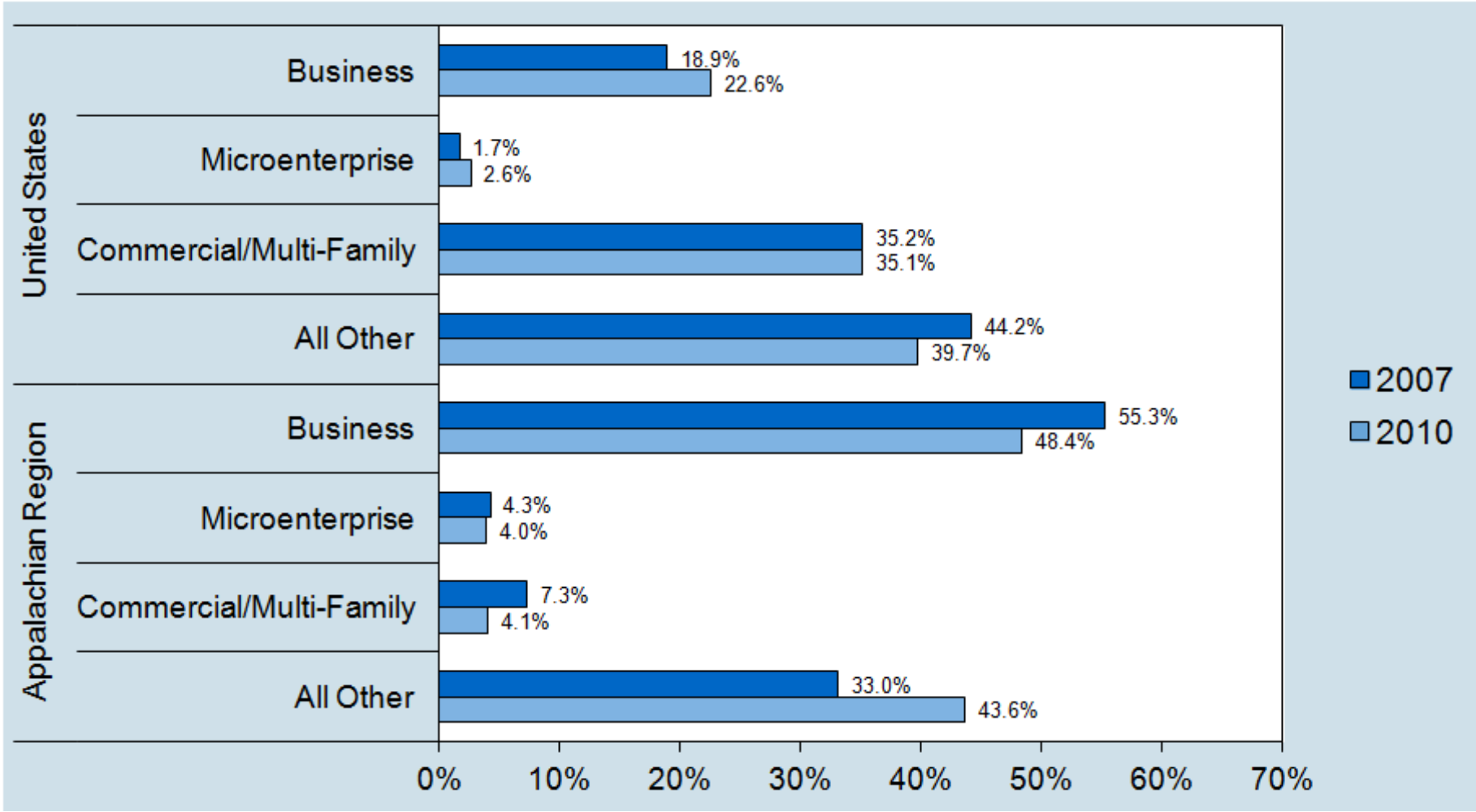
CDFI Lending by County Type



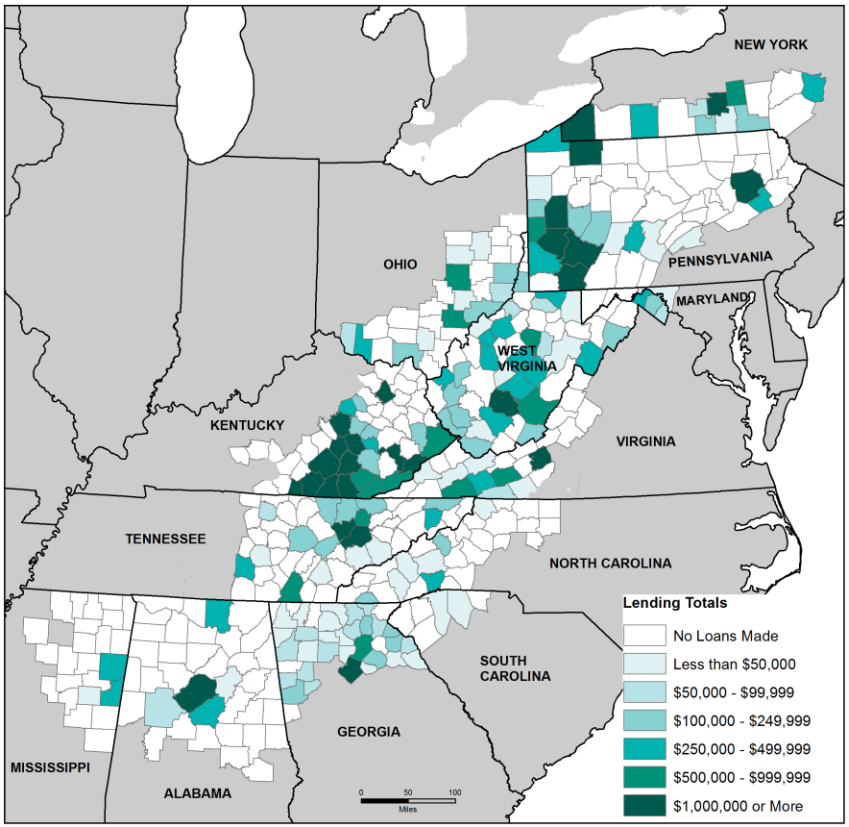
CDFI Lending to Business

- Decreased as a percent of overall lending
  - due to large increase in overall lending in Appalachia
- Increased in total amount loaned
  - from $142 MM to $231 MM
- Increased relative to CDFI lending nationally
  - from 4.4% of national total to 6.1%

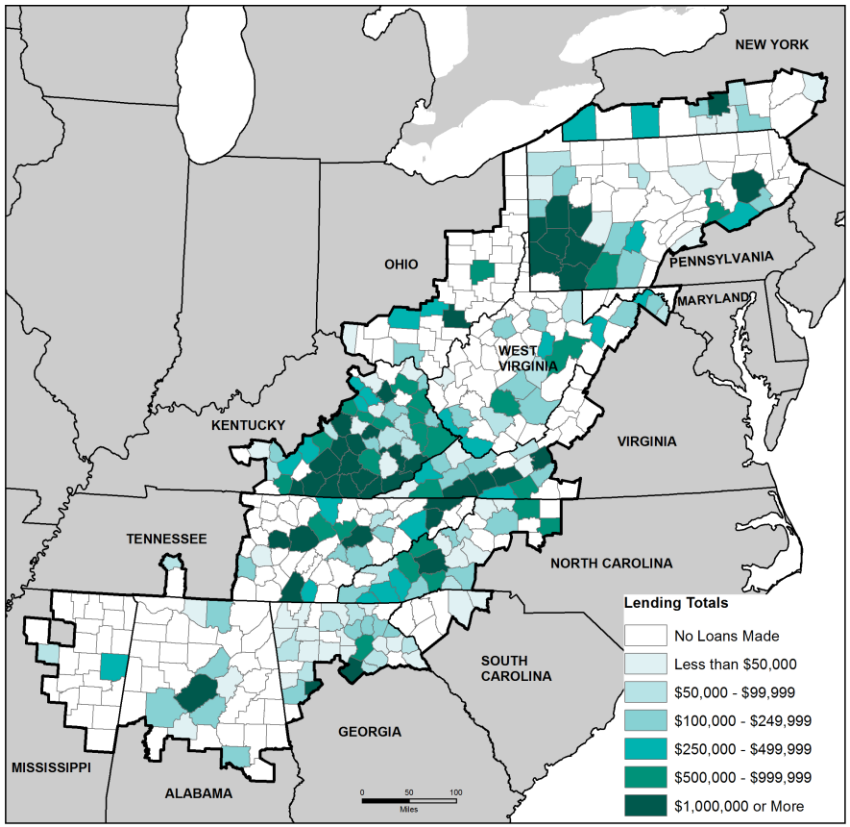
Percent of Amount Loaned by Purpose, US and Appalachia



CDFI Business Lending, 2007 and 2010



Map Title: CDFI Lending to Businesses in Appalachian Counties, 2007
Data Source: Program Community Investment Impact System Transaction Level Reports for 2007

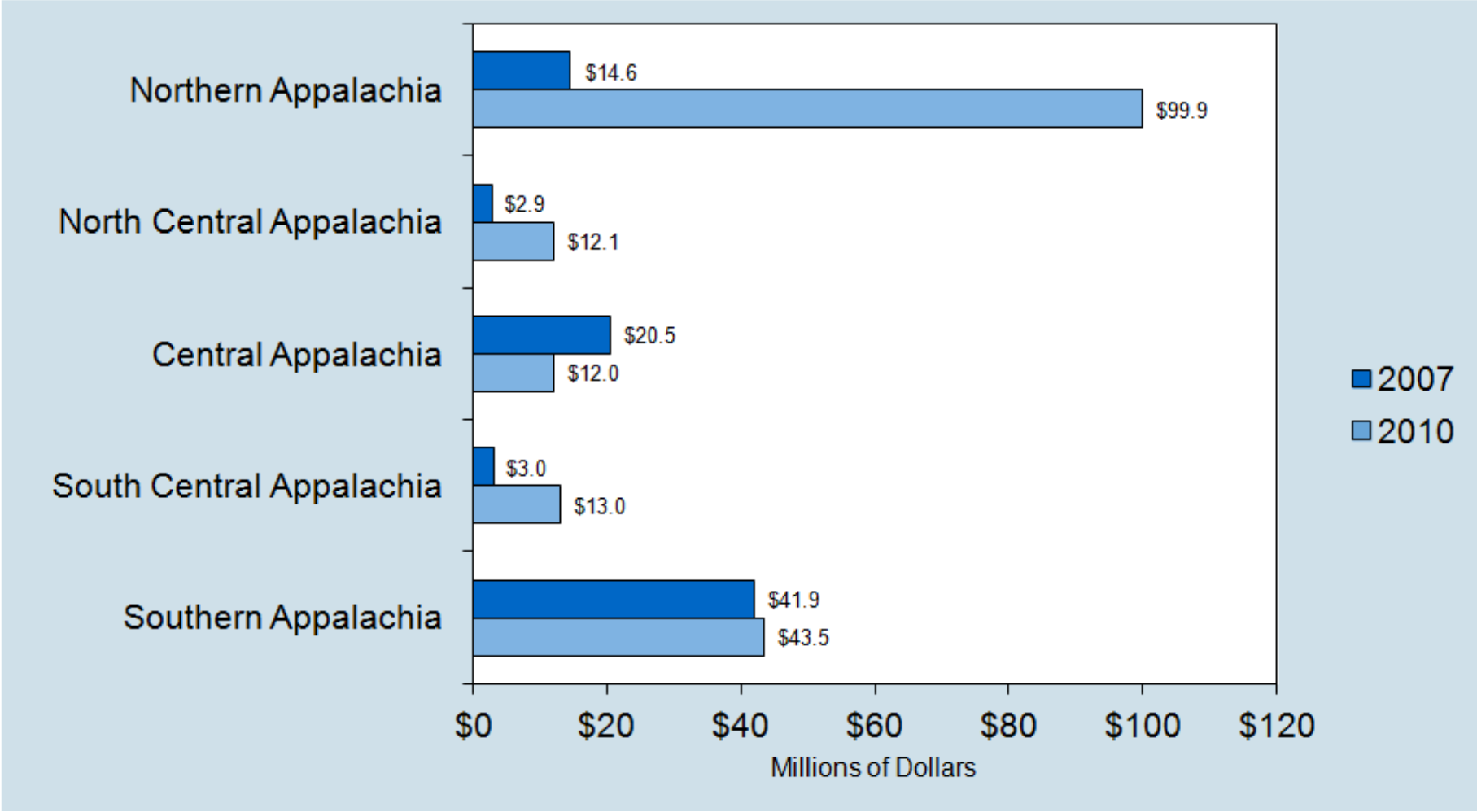


Map Title: CDFI Lending to Businesses in Appalachian Counties, 2010
Data Source: Program Community Investment Impact System Transaction Level Reports for 2010

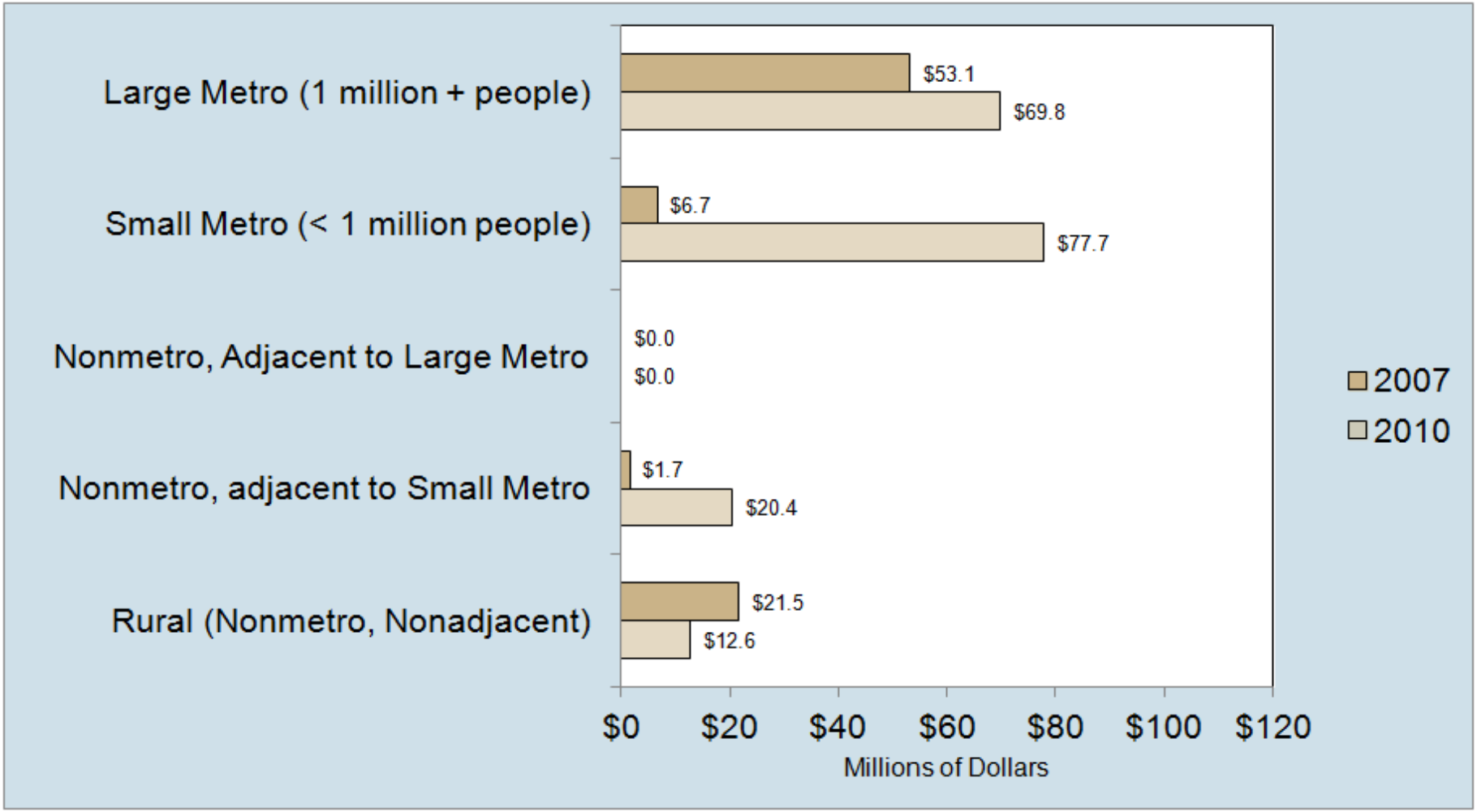
NMTC Investment, 2000 to 2010

- Most NMTC investment is from outside the region
- About 3.4 percent of credit authority invested nationally is in Appalachia
  - about $707 million of $21 billion
- Heavily concentrated in Northern Appalachia and in large and small metro counties

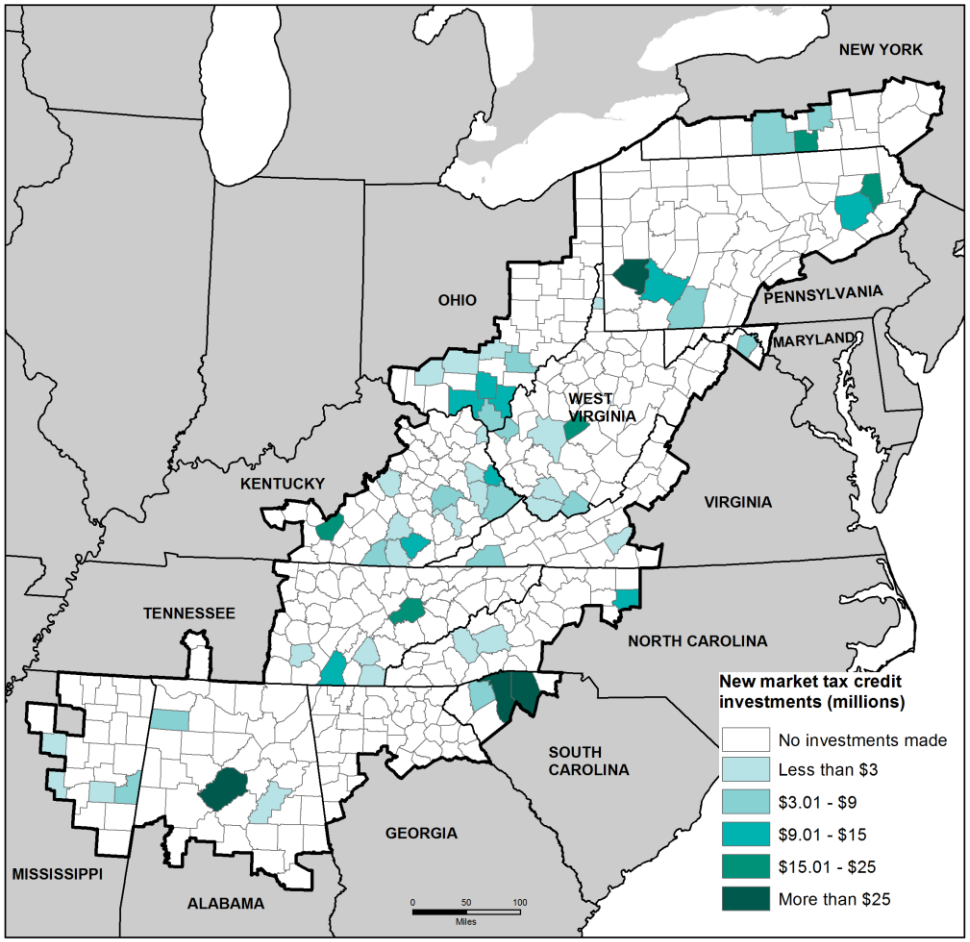
NMTC Investment by Region, 2007 and 2010



NMTC Investment by County Type, 2007 and 2010



Amount of NMTC Investment, 2000-2010

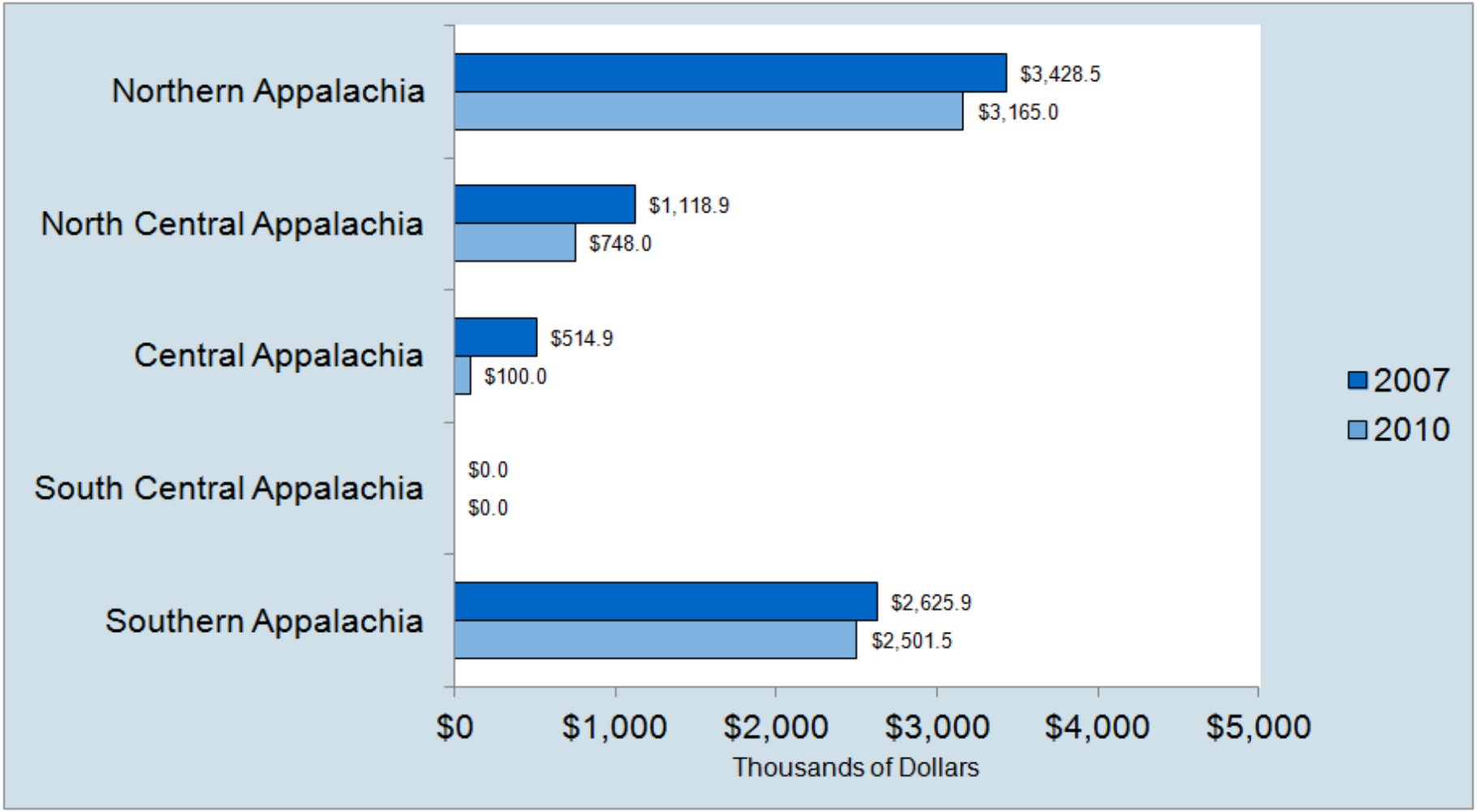


Map Title: Investment Dollars Made with New Market Tax Credit
Data Source: CDFI Fund 2011

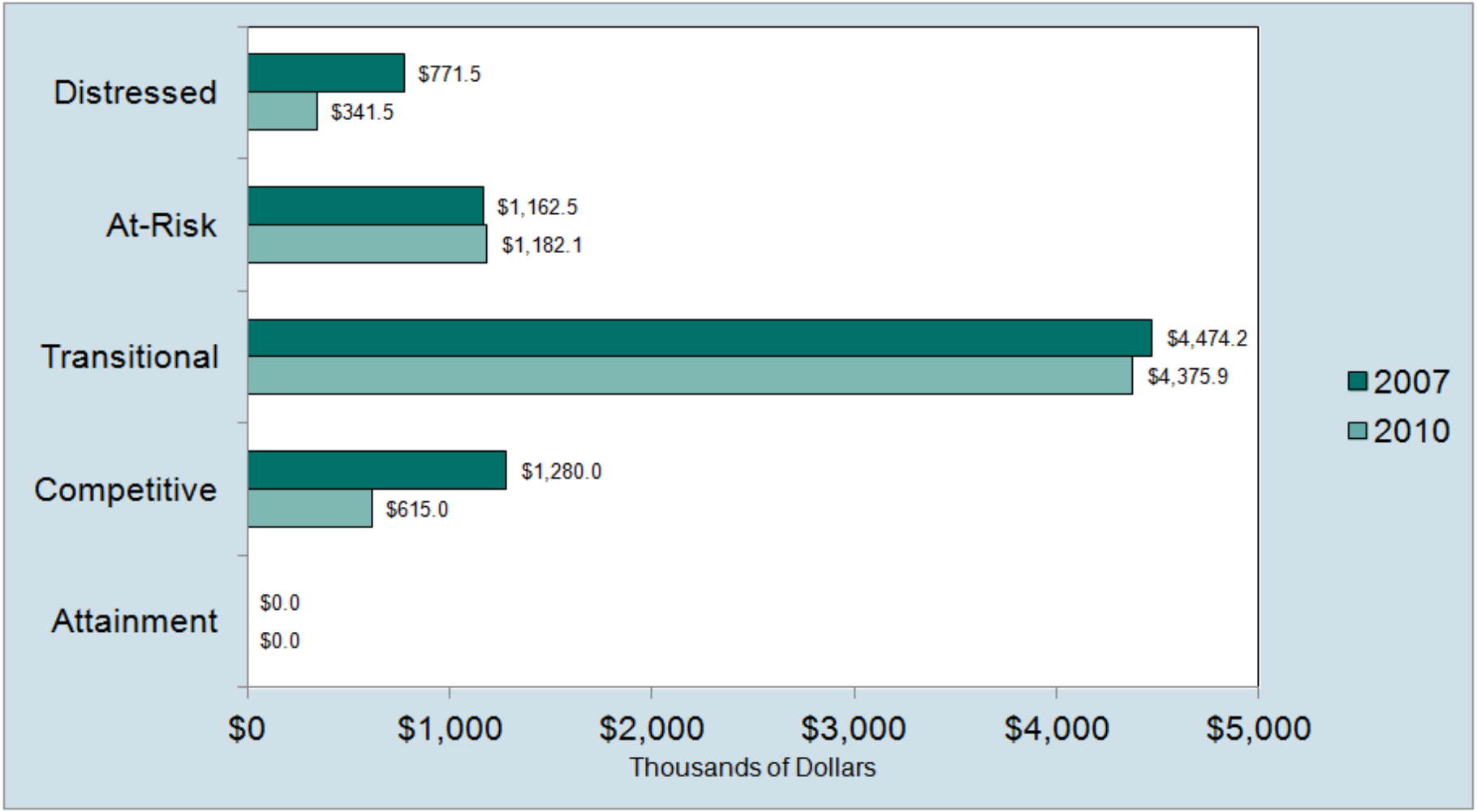
ARC-funded RLF Loans, 2007 and 2010

- Small contributor to overall lending
  - but RLF funds leverage additional funding
- ARC-funded RLFs loans
  - 87 loans, $7.7 MM in 2007
  - 73 loans, $6.5 MM in 2010
- Loans concentrated in Northern and Southern Appalachia, transitional counties

ARC-funded RLF Loans by Region, 2007 and 2010



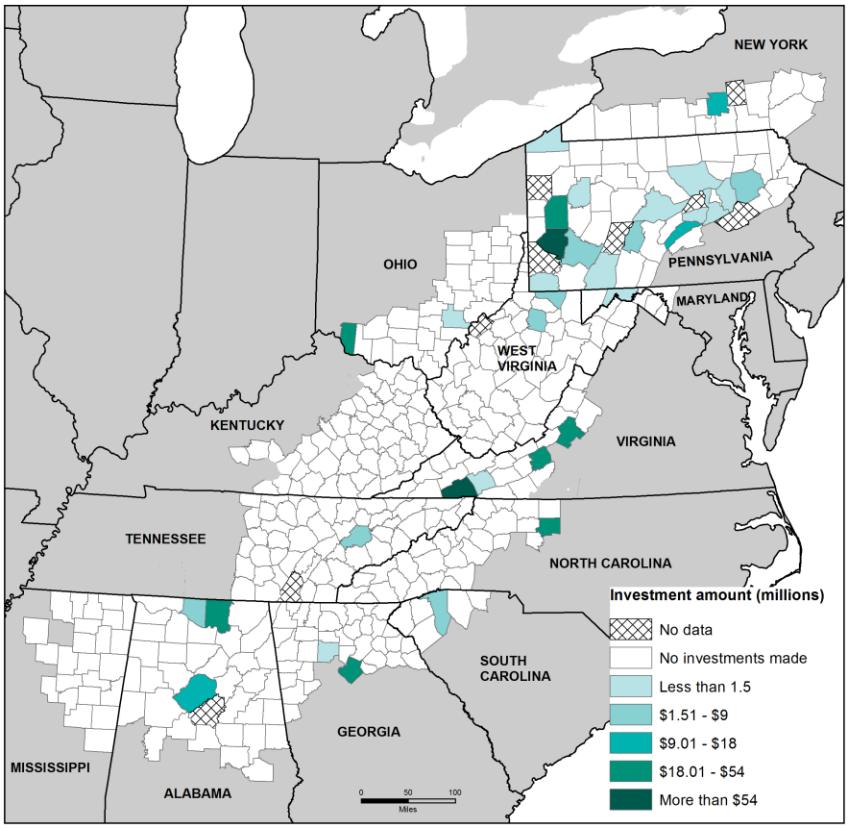
ARC-funded RLF Loans by Economic Status, 2007 and 2010



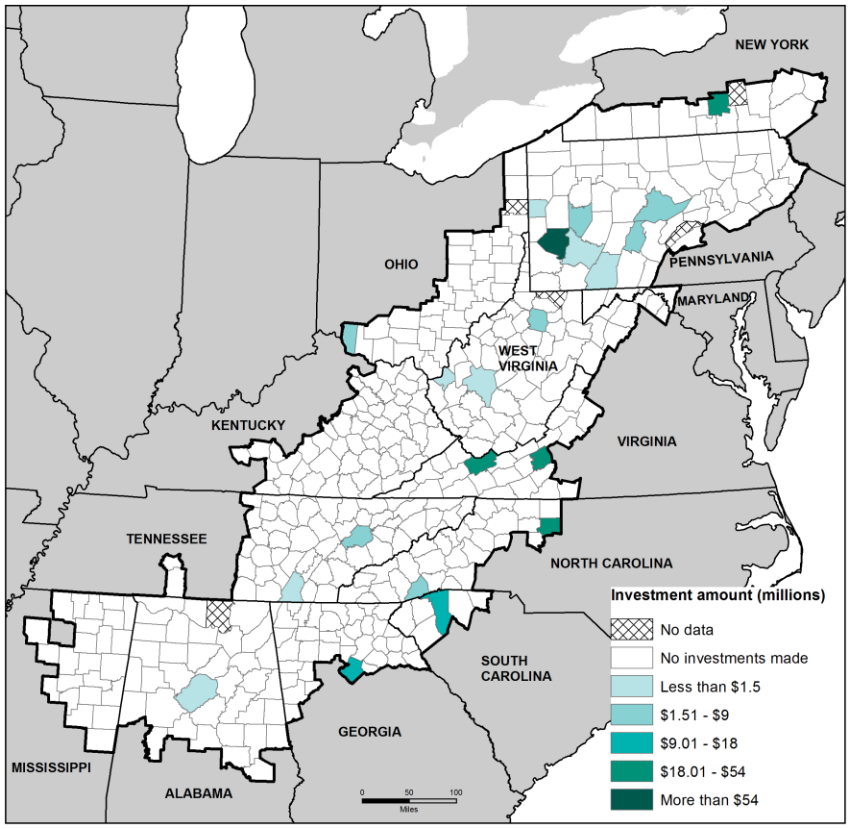
Venture Fund Investment, 2007 and 2010

- Highly concentrated near medical, computer, and knowledge-based centers
  - less than 2 percent in Central Appalachia, rural, and at-risk counties
- Investment declined by 27 percent between 2007 and 2010

Amount of Venture Fund Investment, 2007 and 2010



Map Title: Investments Made by Venture Capitalists in 2007
Data Source: Price Water House Coopers 2007

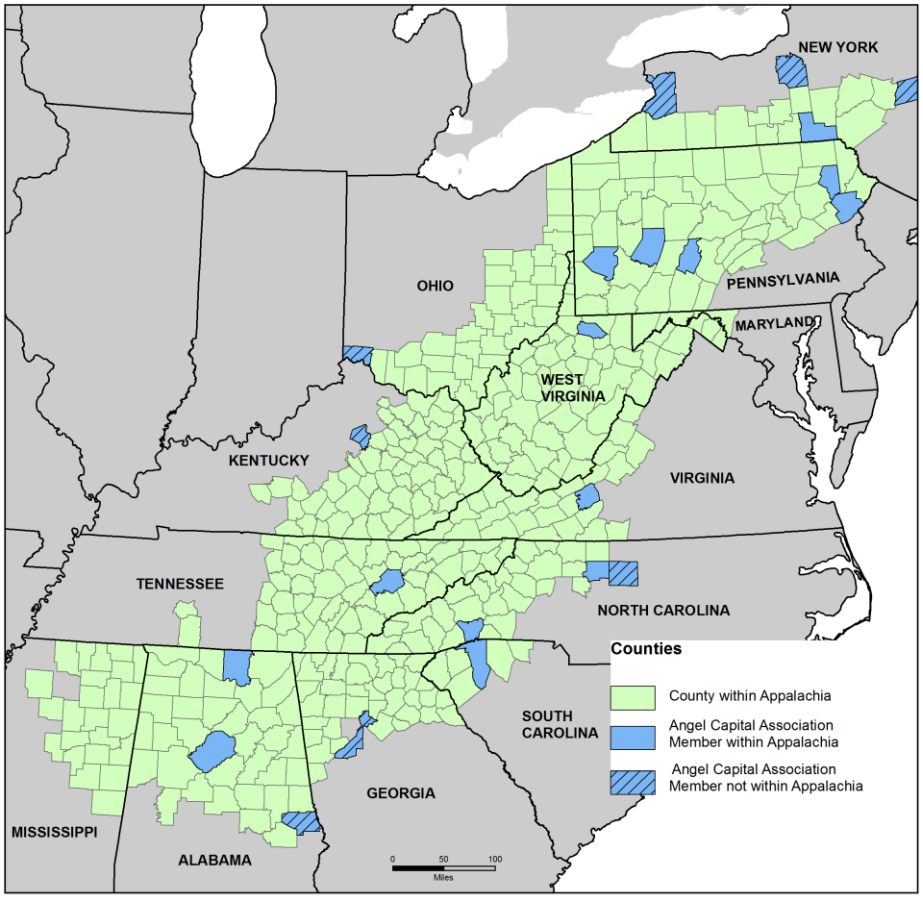


Map Title: Investments Made by Venture Capitalists in 2010
Data Source: Price Water House Coopers 2010

Angel Investors

- Invest own money in companies owned by unrelated entrepreneurs
  - not family and friends
- Concentrated in software, healthcare, and biotechnology
- Tend to invest in nearby companies
- Investment declined by 22 percent between 2007 and 2010

Angel Capital Association Members



Map Title: Angel Capital Association Member Location by County
Data Source: Angel Capital Association

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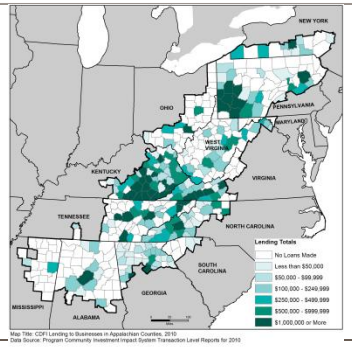

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