

## REGIONAL STRATEGY IN KENTUCKY

## Community Ventures Uses NMTC Award to Expand Business Loans

When **Community Ventures Corporation**, a NeighborWorks® organization of Lexington, Kentucky, was chosen this year to receive an allocation of \$12 million in tax credits under a new, innovative federal program, it was an indication of just how far the organization had come in the last decade.

Community Ventures' staff has leveraged their knowledge, skills and resources to grow the organization into a diversified organization that offers everything from home-ownership counseling to commercial real estate investment.

Back in the early 1990s, the only product offered by Community Ventures Corporation was a \$1,500 loan to very low-income people to start up their own business.

"Although that was an effective product for a particular

segment," said Kevin Smith, president and CEO of Community Ventures, "we knew Community Ventures had to grow beyond that if we were going to survive. The staff and board recognized that, if we were going to continue to exist as a nonprofit organization, we needed to diversify, and minimize our dependence on any single funding stream."

Smith noted that many nonprofits have learned this lesson in recent years.

"Private and public funders come and go, especially during these times of economic uncertainty," he said. "Nonprofits must learn to adapt and have a strategy for sustainability."

For Community Ventures, that strategy was to diversify and expand its programs and products, its funders, its customer base and its geographic service area. Beginning in the early 1990s, the organization learned, grew and leveraged its skills and resources to further diversify.

"The \$12 million allocation under the New Markets Tax Credit program was the culmination of a lot of work that started 12 years ago," Smith said. "In the end, it was a perfect fit for us, and I think that is the main reason we were one of just 66 organizations nationwide to receive allocations."

### Adapt and Diversify

Founded in 1982, Community Ventures Corporation exists to improve the quality of life for urban and rural residents throughout central and northern Kentucky. Its central mission is to provide individuals and families with the skills, income and assets they need to achieve financial independence. It serves inner-city areas of Lexington, as well as rural areas of Kentucky.

Community Ventures uses three strategies to help people increase income and build assets: small

### COMMUNITY VENTURES CORPORATION DIVERSIFICATION OF ECONOMIC DEVELOPMENT PRODUCTS



business ownership, home ownership, and job creation through business expansion.

From the beginning of its diversification efforts, the staff and board recognized that they could not lose focus of the organization's mission. They also knew they could not allow diversification to drive up costs.

"Costs can quickly get out of control when an organization moves into unrelated product delivery or when it chases an unrelated funding opportunity," Smith said.

Instead, Community Ventures focused on incrementally leveraging its capacities and skills. For example, staff used the expertise they gained from delivering small business loans to introduce new business loan products that could meet the needs of larger ventures that were expanding or creating jobs.

As the small-business program grew, existing staff supplemented their skills, giving Community Ventures the capacity to offer home-ownership financing products, underwrite mortgage products, and become an SBA 504 lender, giving Community Ventures the capacity to make larger real estate loans. And Community Ventures recently held the grand opening of a new NeighborWorks HomeOwnership Center®.

"We are always looking for the next logical place that our accumulated knowledge and resources can take us," Smith said.

### Business Loan Program

For its business loan program, the next logical place was the New Markets Tax Credit (NMTC) program, which is part of the U.S. Department of Treasury's CDFI Fund.

The NMTC program permits tax-paying entities to receive a credit against federal income taxes for making equity investments in designated community development entities (CDEs), such as Community Ventures. Equity investments are then used by CDEs to revitalize distressed urban and rural neighborhoods through various community and economic development strategies. Those strategies include financing for needed community facilities; commercial loans and investments to start or expand small businesses; and

financial services needed by low-income households and local businesses.

In addition to Community Ventures, another NeighborWorks® organization, Nuestra Comunidad of Roxbury, Massachusetts, also won an NMTC allocation – of \$1 million.

With Community Ventures, six local banks are investing \$2 million apiece for the new loan fund in return for tax credits. Smith said he expects most of that funding will be loaned to qualified development projects by the end of the year.

"The flexible terms and pricing of the loans should entice real estate developers to some areas of Kentucky that are most in need of revitalization," Smith said.

Just as important, he said, the program fits perfectly with Community Venture's mission and strategies, and provides a natural extension of skills and resources.

"This program," Smith said, "is a great example of a public-private partnership that can produce the kind of investment that improves lives and invigorates communities, and that's what Community Ventures is all about." ■

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