

M.I.T. Department of Urban Studies and Planning
11.437 Financing Economic Development
Fall 2015
Course Information and Syllabus

Class Time: Monday and Wednesday: 11:00 AM to 12:30 PM

Recitation: Friday: 1:30 to 2:30 PM

Meeting Place: Class sessions (Mon/Wed): Room 8-205
Recitation (Friday): Room 10-401

Stellar Site: <http://stellar.mit.edu/S/course/11/fa15/11.437/>

Instructor: Karl Seidman

Office: 9-511A Phone Number: 253-3964

Office Hours: Monday: 12:30 to 2:00 PM
Wednesday: 2:00 to 4:00 PM, or by appointment.

Teaching Assistant: Haegi Kwon

Course Description and Objective

Financing Economic Development focuses on the tools and programs available to economic development practitioners to address capital needs for businesses and economic development projects. The course content is divided into four sections:

1. An introduction to capital markets, market imperfections and perspectives on development finance systems;
2. The basics of how firms and development projects are financed and how to analyze business and real estate financial statements to understand capital needs and evaluate the ability to support financing.
3. Financial tools, policies and institutional models to address capital gaps, supply financing and stimulate private investment in community and economic development.
4. Management of development finance institutions and programs including program design, operations and capital management.

The course concludes by revisiting development finance systems and how the different tools, policies and models work together and related to other components of the development ecosystem. Throughout the semester, we will use Detroit as a case example on how different tools, policies and institutional models are used and how they function and their shortfalls as a development finance system and contributor to the city's economic development. We will also look at examples of how development finance tools and policies are being applied to address sustainable development goals, particularly around energy efficiency and renewable energy development.

The course objective is to provide students with a comprehensive overview of economic development finance practice in the United States and develop a knowledge base and skills to either be a development finance practitioner or apply economic development finance approaches to other fields of planning and community development. Students can expect to gain the following

knowledge and skills from the course:

1. An understanding of the operation of private financial markets and their limitations in serving economic development finance needs.
2. How to think about the relationship of development finance interventions to the broader economic and community development system.
3. Familiarity with the public policies, program models and institutions that can be used to expand capital availability and address community development and business finance gaps.
4. An understanding of different business capital needs and the appropriate financial instruments and institutions used to address these needs.
5. An introduction to interpreting and analyzing business financial statements.
6. Tools to evaluate and structure financing plans for firms and real estate projects.
7. Knowledge of federal economic development financing programs.
8. An understanding of operational needs and best practices in managing economic development finance programs and institutions.
9. The ability to match feasible program approaches and models to address specific development financing gaps and business capital needs.
10. The capacity to identify institutional and program resources needed to implement different development finance programs and institutions.
11. An introduction to public finance tools and their economic development uses.

Reading Materials and Assignments

Reading assignments are specified for each class in the course syllabus. Optional readings and materials are listed for some classes and students are encouraged to read these materials as well. Reading assignments are from the course textbook and supplementary materials posted on the stellar course site. Additional resources and background readings on many topics are also included on the course Stellar site.

Many classes include a case study discussion that applies concepts and tools from the readings to help develop analytical thinking and problem solving from a development finance perspective. **When a case study is assigned, students need to read the case closely to determine key facts and circumstances, identify the critical issues raised by the case, and to prepare her or his views on these issues and how to address them.**

Required Course Text:

Karl F. Seidman, *Economic Development Finance* (Sage Publications, 2004) is the course textbook. Copies may be purchased at the MIT Coop. It is also on reserve at Rotch library.

Course Requirements

In addition to the completion of all reading assignments and participation in case study discussions and others class discussions, students are required to complete the following assignments:

1. Three financial analysis worksheets exercises
2. Five case studies analyses and write-ups.
3. A term project report or other deliverable.

Financial Analysis Worksheets

These worksheets are intended to extend and reinforce key financial analysis concepts and skills introduced in class. They summarize the purpose, interpretation and formulas for key calculation and require several calculations and brief comments on their interpretation and related issues. Completion of the worksheets is required but they will not be graded.

September 23: Business Financial Statement Analysis Worksheet
October 5: City Plaza Real Estate Financial Analysis Worksheet
October 14: Orlando TIF Financial Analysis Worksheet

Submit worksheets electronically on the course stellar site under the materials section for the assignment due date.

Case Study Analyses

Five case study write-ups are listed in the syllabus. The background, financial data and assignment for each case is found in the corresponding chapter of the textbook or separate case study material. Four of the case study write-ups include financial analysis and a brief (3 page) write-up that address the specific questions posed in the assignment. The written discussion should incorporate the results of the financial analysis required in the assignment with the financial analysis or projections attached as an appendix. One case study involves the analyzing a city's development finance system and formulating recommendations to make it more effective. The five case assignments are:

September 28: Working Capital Loan Request Analysis (Crystal Clear Window Company)
October 7: Employee Buyout Loan Request Analysis (Phoenix Forge)
October 21: Federal programs and real estate finance (Inner City Supermarket)
November 16: Development Finance System and CDFIs (Cleveland)
December: 2 Raising Capital for a development finance entity (Manufacturer's Fund Recapitalization)

Submit electronically on the course stellar site under the materials section for the assignment due date and submit a hard copy in class on the due date.

Term Project

The term project, is only required for graduate students, and entails a team of graduate students working on a finance project for a client. This fall, four of the term projects are focused on financing issues related to economic development in Detroit. Two of the term projects are outside Detroit and provides opportunities to work on finance problems related to other areas. A brief description of each project and client is included in a separate attachment handed out with the syllabus. Only one team may work on a project. The assignment of student teams for each project will be selected by September 25rd. A brief (1- 2 page) project work plan is due on October 7th. The final written project and/or other deliverable are due on Friday December 11th.

Grading

Grading will be based on each student's demonstration of their knowledge of the course material and

capacity to apply this knowledge to projects, programs and development finance needs. All course work will be considered in determining grades, with class participation in case study and other discussions accounting for 1/3 of the grade, the five written case study assignments for 1/3 and the term project for the final 1/3.

Academic Misconduct

Students are expected to act responsibly and honestly in completing all coursework. Cheating, plagiarism, deliberate interference with the integrity of the work of others, fabrication or falsification of data, and other forms of academic dishonesty are considered serious offenses with disciplinary penalties that may include a failing grade for the class, and possibly suspension from the institute. Never (1) turn in an assignment that you did not write yourself, (2) turn in an assignment for this class that you previously turned in for another class, (3) falsify or misrepresent information for a term project; or (4) present material from another source as your own writing or work in a term project report. Students may work together to complete analysis and discuss issues for the case studies, but each student must write-up their own case study analysis based on their personal interpretation and judgment of the case assignment. Term project deliverables are group projects based on collaborative work among the team members; students are encouraged to share ideas and to incorporate the work of other team members into their part of the project. Each student is expected to make a significant contribution to the project and not rely on the work of other team members to complete the project and obtain this portion of their grade. Please see me if you have any questions about what constitutes plagiarism or academic misconduct.

CLASSES AND READING ASSIGNMENTS

Note on page numbers: The page numbers listed for readings are based on the page numbers in the original document; these may be different than the PDF reader page numbers.

PART I: COURSE INTRODUCTION/CAPITAL MARKETS AND ECONOMIC DEVELOPMENT FINANCE SYSTEMS

Class #\Date	Topics	Readings
1. Sept. 9	Course Overview Definition of Economic Development Role of Finance in Economic Development	1. <i>Economic Development Finance</i> (EDF), Chapter 1, pp. 3-7 2. Malpezzi, "Local Economic Development and its Finance," in <i>Financing Economic Development in the 21st Century</i> , pp. 3-21.

This class provides an overview of the course content and objectives, and discusses the definition of economic development and the role of financing in the economic development process.

Class #\Date	Topics	Readings
2. Sept. 14	Introduction to Capital Markets, Capital Market Imperfections & Financing Gaps Local Development Finance Systems	1. EDF, Chapter 1, pp. 7 to 19 2. Bloom and Deese, "Cultivate Your Ecosystem," <i>Stanford Social Innovation Review</i> , Winter 2008 3. Initiative for Responsible Investment and Living Cities, <i>The Capital Absorption Capacity of Places: A Research Agenda and Framework</i> (download here) 4. Robin Newberger and Maude Toussaint-Comeau, "Leveraging Resources in Detroit: An informed discussion among financial institutions, policy-makers and other stakeholders in Detroit," <i>Profit Wise</i> , April 2013 5. Detroit Community Development Finance System Memo

This class covers the institutional structure and operations of private capital markets, including the direct "public" markets and the "private" markets of financial intermediaries. Discussion of these markets will emphasize their economic development role, which institutions are most important for community-based economic development and the capital market failures and imperfections that occur in private capital markets. These market failures define the financing gaps that economic development finance programs and institutions are designed to address. A two-part framework for interventions to address capital market failures and financing gaps will be discussed. This class also introduces approaches to thinking about how capital markets and development finance relate to larger systems that influence how capital is deployed to advance economic development goals. Information on development finance in Detroit is provided to provide a context to consider the application of these concepts to a city.

PART II: BUSINESS FINANCING

Class #\Date	Topics	Readings
3. Sept. 16	Business Finance Needs Business Financing Instruments	1. EDF, chapter 2 2. Berger and Udell (1998), The economics of small business finance, <i>Journal of Banking and Finance</i> , 22: 613-651 (p. 651-673 optional) 3. Mills and McCarthy, <i>The state of small business lending: Credit access during the recovery and how technology may change the game</i> , pp. 3 to 7 and 36 to 56.

This class looks at the many instruments used to finance business enterprises, emphasizing the difference between debt and equity, the varied forms of debt financing, and the advantages and disadvantages associated with different financing instruments. The appropriateness of different financing instruments for various stages of business development and capital needs is also discussed along with the distinct capital needs and issues faced by small firms. Empirical data on how small enterprises are financed will be compared to the expectations based on capital market and firm development stage theories. Finally, we will review the basic finance terms and calculations related to debt and equity instruments.

Class #\Date	Topics	Readings
4. Sept. 21	Analyzing Finance Needs I: Introduction to Accounting and Financial Statements	1. EDF, Chapter 3 2. Amazon.Com Financial Statements 3. Optional: Anthony, Hawkins & Merchant, <i>Accounting: Text and Cases</i> , pp. 25 –44 and 51 to 74 4. Optional: Craig Pence videos 1, 2 and 17 on basic accounting

In this session, basic accounting principles are reviewed and the three primary financial statements produced by accounting systems are explained: the balance sheet, the income statement, and the cash flow statement. The difference between cash and accrual accounting and the relationship of financial statements to business cash flow is a key theme for this class. For students who want additional information and presentation of basic accounting concepts and financial statements, optional readings in an accounting text book and several on-line video lectures are available.

Class #\Date	Topics	Readings
5. Sept. 23	Analyzing Finance Needs II: Evaluating Firms for Financing Financial Statement Analysis	1. EDF, Chapter 4 2. Community Development Venture Capital Association, <i>Measuring Impact Toolkit</i> 3. The Triple Bottom Line Collaborative, <i>CDFIs and Triple Bottom Line Lending</i> , pp. 3-15 4. <i>Business Finance Worksheet Assignment</i> . 5. Resource: Triple Bottom Tool , skim web site http://www.tbltool.org/about.php

This class expands on the understanding of financial statements to develop analytical tools used to evaluate the financial needs of companies and find appropriate financial instruments to meet these needs. A framework for evaluating a firm for economic development financing is discussed and key financial analysis tools are introduced: ratio analysis, common size financial statements and forecasting cash flow and debt service capacity. Two tools developed to help economic development organizations evaluate projects using community impact and triple bottom line approaches are presented in the readings and will be touched upon in class. We will also review the business financial analysis worksheet to discuss how ratio analysis and cash flow analysis is used to inform business lending decisions.

ASSIGNMENT: Complete the Business Financial Statement Analysis Worksheet

TERM PROJECT PREFERENCES ARE DUE

Class #\Date	Topics	Readings
6.. Sept. 28	Working Capital Finance	1. EDF, Chapter 5

CRYSTAL CLEAR WINDOW COMPANY CASE ASSIGNMENT DUE

This class focuses on working capital financing needs to understand what working capital is and why it is important to a business. The difference between "cyclical" working capital needs and "long-term" working capital needs will be discussed along with the issues involved in evaluating a firm's need for working capital debt and extending working capital financing. A written analysis of the Crystal Clear Window Company financing request is due today and will provide a case example for exploring these topics. The range of financial instruments and institutional sources for working capital will also be reviewed.

Class #\Date	Topics	Readings
7. Sept.30	Fixed Asset Financing	1. EDF, Chapter 6, pp.111-123 2. Cambridge Biotech Case Study

Fixed asset financing is essential for the growth and expansion of businesses. The greater uncertainty and longer repayment terms make it more difficult for firms to secure such financing. We will look at the role of fixed asset financing in business growth, the unique issues in financing longer term capital needs, and, and the evaluation of a firm to extend fixed asset financing, using the Cambridge Biotech Case study to gain insight into these issues.

Class #\Date	Topics	Readings
8. Oct. 5	Real Estate Financing	1. EDF Chapter 7 2. City Plaza Worksheet Assignment

This class provides an overview of the real estate development process and financing issues, including key needs for economic development oriented real estate projects, the financial statements used for real estate projects, analyzing a project's capacity to support debt and equity, and the different financial instruments and sources used for real estate projects.

ASSIGNMENT: Complete the City Plaza Financial Analysis Worksheet

Class #\Date	Topics	Readings
9. Oct. 7	Analyzing Business Financing Needs III	1. EDF, Chapter 6, pp. 123 to 132

TERM PROJECT WORK PLAN DUE

PHOENIX FORGE CASE ASSIGNMENT DUE

To strengthen skills in evaluating a firm's financial needs and capacity to support financing, this class is devoted to an analysis of the Phoenix Forge case, using a role play enactment of a Community Loan Fund Board meeting to consider the Phoenix Forge loan request.

No Class October 12th Columbus Day Holiday
Monday Class meets on Tuesday October 13.

PART III: FINANCE TOOLS, FEDERAL RESOURCES AND PROGRAM MODELS

Class #\Date	Topics	Readings
12. Oct.13	Municipal Finance Tools I: Municipal Debt Industrial Development Bonds Qualified Energy Conservation Bonds Introduction to Tax Increment Financing	1. EDF, Chapter 15, pp. 341-354 2. Kozak and Hunt, <i>Structuring and Sizing Bond Issues</i> 3. Milford, Saha, Muro, Sanders and Rittner, <i>Clean Energy Finance Through the Bond Market</i> 4. Lester Krone, <i>Financing Renewable Energy Projects</i> 5. Energy Programs Consortium, <i>Qualified Energy Conservation Bonds</i> , pp. 2-17.

Multiple instruments are used to finance government capital expenditures, infrastructure improvements and projects. This class will provide an overview of how the municipal bond market operates and discuss the major types of municipal bond structures, their relative advantages and potential use for financing business and economic development projects. We will also review the increasing interest in and potential to use municipal and other bond financing for alternative energy and energy efficiency projects. Tax increment financing will be introduced in preparation for a fuller discussion of its use the next class.

Class #\Date	Topics	Readings
13. Oct. 14	Municipal Finance Tools II: Tax Increment Financing Assessment Districts and PACE Business Improvement Districts	<ol style="list-style-type: none"> 1. EDF, Chapter 15, pp. 348-361 2. Detroit Downtown Development Authority Meme , <i>Events Center Project-Bond Authorizing Resolution</i>, PDF pp. 1 – 17 (through Exhibit B) 3. “Proposed elimination of tax-exempt bonds for stadiums likely won't affect Detroit project,” Detroit Metro Times, Feb 6, 2015. 4. Genesee County Land Bank Initiative 5. Institute for Building Efficiency, <i>Setting the PACE 2.0: Financing Commercial Retrofits</i> 6. Association of Oregon Redevelopment Authorities, <i>Evaluation of Seven Urban Renewal Plans</i>, pp. i-iv and 31-37.

Tax increment financing and assessment districts are effective ways to finance projects or investments where the benefits are fairly localized and revenues to support these investments can be generated from new tax revenues or fees from this local area. This class covers the issues associated with TIF and assessment district financing and explores their application to economic development projects and plans. Detroit’s use of TIF to finance a sports arena provides an example of TIF as a project financing tool as well as questions about the best use of TIF. The Orlando downtown TIF case will be used to highlight financing and debt structure issues associated with TIF supported municipal debt. The growing use of assessment financing for energy efficiency and solar energy (PACE) will also be covered.

ASSIGNMENT: Complete the Orlando TIF Financial Analysis Worksheet

Class #\Date	Topics	Readings
14. Oct. 19	Tax Credit and Financing Historic Tax Credits New Market Tax Credits State Tax Credits	<ol style="list-style-type: none"> 1. Deborah La Fracnhi, “New Market Tax Credits: A Growing String of Successes Across the County, <i>The IEDC Economic Development Journal</i>, 9(4): 5-13 2. New Markets Tax Coalition, <i>New Markets Tax Credits Progress Report 2015</i>, pp. 1-23 3. M-1 Rail News, <i>M-1 RAIL finalized New Market Tax Credit funding for Detroit streetcar project</i> (here). 4. Detroit Economic Growth Corporation, slides for Council of Development Finance Agencies 5. Optional: Urban Institute, <i>New Market Tax Credits Program Evaluation</i>, Executive Summary (pp. i to xx) 6. Resource: CDFA Economic Development Finance Course, Investment Tools—Tax Credits

Tax credit financing has become increasingly important in economic development finance, especially with New Markets Tax Credit (NMTC) program, which is now one of the most important federal programs to stimulate investment in low-income areas. With over ten years of implementation, the processes and uses for this program are well established, albeit somewhat complex and byzantine. This session is devoted to providing an overview of tax credit financing and a deeper dive to understand the NMTC program and its use to advance economic and community development goals. The class will also look at some examples of how tax credits are being used in Detroit and Michigan's changes to its credit programs.

Class #\Date	Topics	Readings
15. Oct .21	Federal Programs: SBA Programs CDFI Fund HUD 108 Program State Small Business Credit Initiative	<ol style="list-style-type: none"> 1. EDF, Chapter 14 2. Urban Institute, <i>Key Findings from the Evaluation, Executive Summary</i> (here), pp. 1-5, 1-29, 36-41, 3. Review CDFI Fund "What We Do" Web Site (here) and <i>Investing for our Future: One Community at a Time</i> (CDFI 2013 Annual Report) 4. Prunella, Theodos & Thackeray, "Federally Sponsored Economic and Community Development: A Look at HUD's Section 108 Program," <i>Housing Policy Debate</i>, 24(1): 258-287 5. US Department of Treasury, <i>State Small Business Credit Initiative: A Summary of States' 2014 Annual Reports</i>, pp. 1-28.

This session provides an overview of key federal economic development programs administered by the Economic Development Administration, the Small Business Administration, HUD, the Office of Community Services (in the Department of Health and Human Services) and the US Treasury CDFI Fund and State Small Business Credit Initiative. The Inner City Supermarket Case provides an example for examining the advantages and issues related to using different programs and issues posed by utilizing federal programs within an overall project financing plan.

INNER CITY SUPERMARKET FINANCING CASE STUDY WRITE-UP DUE

Class #\Date	Topics	Readings
14. Oct. 26	Private Market Interventions I: Guarantees and Credit Enhancement	<ol style="list-style-type: none"> 1. EDF, Chapter 8 2. Center for Regional Economic Competitiveness, <i>Filling the Small Business Lending Gap: Lessons from the U.S. Treasury's State Small Business Credit Initiative</i>. Pp. 1-43. 3. Maude Toussaint-Comeau and Robin Newberger, "An analysis of SBA loans in lower-income and black neighborhoods in Detroit and Michigan," <i>Profit Wise News and Views</i>, 1-14, and 17. 4. US DOE Loan Guarantee Program web site here. Browse programs overview and July 2014 solicitation materials here. 5. De Rugy, <i>Assessing the Department of Energy Loan Guarantee Program</i> 6. Board of Governors of the Federal Reserve System, <i>Report to Congress on the Availability of Credit to Small Businesses</i>, pp. 45 to 52 7. Optional: Dilger and Gonzales, <i>Small Business: Access to Capital and Job Creation</i> download here 8. Optional: Kubert and Sinclair, <i>State Support for Clean Energy Deployment: Lessons Learned for Potential Future Policy</i>, Financing Tools section, pp. 25 - 55.

Loan guarantee programs are one of the most common tools used to expanded capital availability to businesses through private capital markets. This class reviews the different guarantee forms, the major guarantees programs and what research indicates about their impact and best practices. Special attention is paid to the SBA 7(a) program, including the program's use in Detroit and associated challenges in serving the city's low-income neighborhoods. We will also look at recent developments in federal loan guarantee programs: (1) Department of Energy loan guarantee program for alternative energy projects; and (2) the State Small Business Credit Initiative created under the Small Business Jobs Act of 2010. A case study of the Emerging Technology Fund is used to explore design issues for loan guarantee programs.

Class #\Date	Topics	Readings
15. Oct. 28	Private Market Interventions II: Banking Regulation Small firms and security regulation Crowdfunding Community Reinvestment Act	<ol style="list-style-type: none"> 1. EDF, Chapter 9 2. Robin Newburger, “After the financial crisis: The roles and responsibilities of banking institutions in financing community economic development.” In White, S. B., & Kotval, Z. (2013). <i>Financing economic development in the 21st century</i> 3. J.P. Morgan Chase, <i>Invested in Detroit; One year in 2015</i> and skim web site (here) 4. Small Businesses and the SEC: http://www.sec.gov/info/smallbus/qasbsec.htm 5. Stuart Cohn, “The New Crowdfunding Registration Exemption: Good Idea, Bad Execution” <i>Florida Law Review</i> 6. SEC Press Release on Equity Crowdfunding: http://www.sec.gov/news/pressrelease/2015-49.html 7. Ryan Taylor, <i>Equity-based Crowdfunding: Potential Implications for Small Business Capital</i> 8. Stacy Cowley, “Tired of Waiting for U.S. to Act, States Pass Crowdfunding Laws and Rules,” <i>New York Times</i>, June 3, 2015 (here) 9. Optional: Carpentier and Suret, <i>Entrepreneurial Equity Financing and Securities Regulations: An Empirical Analysis</i> 10. Optional: Ethan Mollick, “The dynamics of crowdfunding: An exploratory study,” <i>Journal of Business Investing</i> 2013 11. Resource: List of state crowd funding laws: http://crowdfundinglegalhub.com/2015/01/16/state-of-the-states-list-of-current-active-and-proposed-intrastate-exemptions/

Capital markets are heavily regulated and these regulations influence capital availability and how development finance practice can expand access to capital. This class provides a high level overview of equity market and bank regulations and their relevance to economic development finance. Special attention is given to the emerging issue of crowd funding and its emerging regulations and the history of the Community Reinvestment Act, its impacts on bank capital availability, and questions about its current impact and limitations. The role of J.P. Morgan Chase in Detroit provides a case for the different ways in which a large financial institution can contribute to urban economic development.

Class #\Date	Topics	Readings
16. Nov. 2	Program Models I: Revolving Loan Funds	<ol style="list-style-type: none"> 1. EDF, Chapter 10 and Chapter 17, pp. 406 to 410 2. Rutgers CURP, <i>EDA RLFs: Planning, Local Structural Change and Overall Performance</i>, pp. 1-15. 3. CDFA Spotlight: Revolving Loan Funds web site (here) 4. Review revolving loan funds at Detroit Economic Development Corp. web site (here) 5. Climate Leadership Academy Network, <i>Case Study: Philadelphia Greenworks Loan Fund</i> 6. Energy Trust of Oregon, <i>Report to the Oregon PUC on Pilot Programs for the Energy Efficiency and Sustainable Technology Act of 2009</i>, pp. 3-20 7. Optional: Link, <i>Building Pittsburgh with URA</i> (slides on RLF example) 8. Optional: Indvik, Roley and Orłowski, <i>Green Revolving Funds: An Introductory Guide to Implementation and Management</i>

Revolving loan funds (RLFs) are the most common alternative development finance models with the longest history and track record. This class will review some of the key strategies and approaches employed by RLFs and discuss important principles, issues and best practices. It will also look at the recent growth of revolving loans funds to finance energy efficient and clean energy deployment, including the creation of internal “Green Revolving Funds” within organizations. The Portland Industrial Site Loan Fund, DEGC, Philadelphia Green Works and Portland Clean Energy Works provide contrasting cases to explore effective RLF design and management.

Class #\Date	Topics	Readings
17. Nov. 4	Program Models II: Venture Capital Angel Investment	<ol style="list-style-type: none"> 1. EDF, Chapter 11 2. Freer and Sohl, “Angles on Angels and Venture Capital: Financing Entrepreneurial Ventures,” in <i>Financing Economic Development in the 21st Century</i> 3. New Economy Initiative web site (here), review site NEI Stories and What We Fund sections as related to early stage and high growth businesses 4. M. Piazza, et. al., <i>Detroit regional analysis: Demographics, economy, entrepreneurship and innovation</i>, pp. 62-80. 5. National Governor’s Association: <i>State Strategies to Promote Angel Investment for Economic Growth</i>, pp. 5-10 6. <i>Money Tree Q4/ 2014 Annual Report</i> (here) and <i>US Cleantech Q1 2015 Venture Funding Report</i> (here)

		<p>7. Optional: Economic Development Research Group, <i>Evaluation of the Minnesota Angel Investment Tax Credit Program</i>, Executive Summary (pp 1-5) Introduction (p. 1) and Analysis of Investment Disparities (pp, 54-68).</p> <p>8. Optional: Nanda, Younge and Flemming, <i>Innovation and Entrepreneurship in Renewable Energy</i>, July 2013</p>
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Venture capital and equity-like investments are a more recent and growing model of economic development financing, especially to support technology based business and commercial development of new technologies and products. Our discussion will include the unique nature of these financing sources, how angel and venture capital financing differ and are related, issues involved in managing venture capital funds, the experience of state policy and newer community development venture capital funds. This class will also use a 2012 study and other materials to consider the current and potential role of angel and venture capital financing in Detroit's economic development.

Class #\Date	Topics	Readings
18. Nov. 9	<p>Program Models III: Community Development Financial Institutions (CDFIs)</p> <ul style="list-style-type: none"> • Community Development Credit Unions • Community Development Loan Funds 	<ol style="list-style-type: none"> 1. EDF, Chapter 12 2. A Abramowitz, B. Edwards and G. Melford, <i>Community Development Finance in Los Angeles: Challenge and Responses</i> 3. Swack, Northrup and Hangen, <i>CDFI Industry Analysis Summary Report</i>, pp. 1-17. 4. Review Materials on CDFI Examples: <ol style="list-style-type: none"> a. Self-Help Credit Union web site (https://www.self-help.org/) and 2014 Annual Report (here) b. Invest Detroit web site http://investdetroit.com and skim 2014 Annual Report (here) c. Detroit Development Fund Web site http://www.detroitdevelopmentfund.com/ d. Capital Impact Partners web site (http://www.capitalimpact.org/) and 2014 annual report (here) 5. Cleveland Finance System Case Study

Community based and controlled financial institutions have been a small but rapidly growing source of development finance. These institutions, referred to as Community Development Financial Institutions (CDFIs) are privately funded through local deposits, loans and philanthropic support. We will review the two major institutional models: credit unions and loan funds, the particular benefits, issues and constraints inherent in these models, and the emergence of large multi-faceted CDFIs that combine a core financial intermediary with other related development and policy functions. The Los Angeles study reviews CDFIs' collective contribution to addressing housing and economic developments needs on a city wide basis and provides a way to look at the effectiveness of CDFIs as a system and institutional policy to pursue community and economic development goals.

The Cleveland CDFI Case provides an opportunity to look at how a city can apply and support the CDFI model in light of changing market conditions and economic development priorities.

Class #\Date	Topics	Reading
9. Nov. 16	Program Models IV: Microenterprise Development	<ol style="list-style-type: none"> 1. EDF, Chapter 13 2. L. Servon, "Microenterprise development in the United States: Current challenges and new directions," <i>Economic Development Quarterly</i>, Vol. 20, no. 5, pp. 351-367 3. C, Glenn and T. Pierce, <i>Microenterprise Development in Michigan: Assessing Coverage, Access and Outreach</i> 4. <i>US Microenterprise Census Highlights</i>, (here) 5. Explore ECDI (here) and MCE (here) web sites as examples of state level microenterprise development entities 6. Optional: Edgecombe, <i>Entrepreneurship Development Systems: The W. K. Kellogg Foundation Demonstration</i> 7. Optional: Burrus, <i>Innovations in Microenterprise Development in the US</i>

CLEVELAND CDFI SYSTEM CASE WRITE-UP DUE

The capital and technical assistance needs of very small businesses pose special challenges. Over the past two decades, numerous programs have been developed to support the creation and financing of "micro-enterprises" as strategies to alleviate poverty, assist the unemployed and stimulate local job and income generation. In this class, we will examine the microenterprise development and lending program models and practice. Lisa Servon's article, an assessment of microenterprise development in Michigan and the Lawrence Working Capital Program will provide the basis for class discussion on ways to heighten the impact of microenterprise programs.

PART IV: MANAGEMENT OF DEVELOPMENT FINANCE INSTITUTIONS

Class #\Date	Topics	Readings
20. Nov. 18	Issues in Program Management: Program Planning and Design Financial Models and Projections	<ol style="list-style-type: none"> 1. EDF, Chapter 16 and pp. 427-433. 2. Sevron, Fairlie, Rastello and Seely, <i>The Five Gaps Facing Small and Microbusiness Owners: Evidence From New York City</i> 3. Maude Toussaint-Comeau and Robin Newberger, <i>Bank Infrastructure and Small Business Funding in Low and Moderate Income Neighborhoods in Detroit</i>, 4. National Governor's Association, <i>State Clean Energy Finance Guidebook</i>, pp. 19 to 37 5. Resource: NCRC, <i>Access to Capital and Credit for Small Businesses in Appalachia</i>

The first step in developing successful economic development finance programs is defining clear goals and designing a program to achieve these goals on a sustainable basis. In this session on program planning and design, we consider how finance programs relate to an organization's mission and strategy, how market analysis can be conducted and inform institutional strategy and new program or product development. We will use the term projects to explore the challenges, issues and approaches to program planning and design. A larger understanding of city and regional level capital availability conditions is also important to sound program design and the 2007 study for the Appalachian Regional Commission provides an example of this type of large scale capital analysis.

Class #\Date	Topics	Readings
21. Nov. 23	Term Project Presentations	None

This class will be used to review and discuss term projects. Each team will make a 15 minute presentation on their project, analysis and preliminary recommendations. The presentation will be followed by questions and class discussion.

Class #\Date	Topics	Readings
22. Nov. 25	Term Project Presentations	None

This class will be used to review and discuss term projects. Each team will make a 15 minute presentation on their term project, analysis and preliminary recommendations. The presentation will be followed by questions and class discussion.

Class #\Date	Topics	Readings
23. Nov. 30	Issues in Program Management: Marketing and Origination Underwriting & Structuring Investments Servicing & Portfolio Management	1. EDF, Chapter 17 2. Rural Enterprises Finance Case Study 3. Optional: A. Berger, M. Barrera L. Parsons and J. Klein <i>Credit Scoring for Microenterprise Lenders</i>

The core competency in operating loan funds is making good decisions on which loans or investments to make and effective oversight of these deals to help keep them on track and resolve problems. This class will focus on these activities, including the options for organizing and managing these functions and best practices in the field and approaches to incorporating more comprehensive “triple bottom line” metrics into investment decisions. Effective program management with limited resources--typical of public sector and community organizations-- is prominent concern along with linking financing programs to other economic development resources. The Rural Enterprises case will be used to explore challenges and effective practices in managing development finance operations.

Class #\Date	Topics	Readings
24. Dec. 2	Issues in Program Management: Capital management and recapitalization	<ol style="list-style-type: none"> 1. EDF, Chapter 18 2. K. Robinson, “Structured finance for economic development loan funds” 3. Mary Reynolds Babcock Foundation, <i>CDFIs: A Study on Growth and Sustainability</i> 4. PV Magazine, “Solar City completes its fourth securitization” (here) 5. Summary of CDFI Bond Guarantee Program Interim Rule and review CDFI Fund Bond Guarantee Program web site 6. Optional: Tansey, Swack, Tansey and Stein, Capital markets, CDFIs, and organizational credit risk, pp, 1-15

With limited resources and capital needs that far exceed available funds, economic development finance programs are constantly challenged to manage financial assets to maximize capital for new investments and to expand their capitalization. This session will discuss the policies and tools to enhance the use of assets and expand institutional capital resources and discuss how to manage assets and liabilities for maximum effectiveness. The Manufacturing Fund case will look at different approaches to capitalization and use of financial models to assess recapitalization options.

MANUFACTURER’S FUND RECAPITALIZATION CASE WRITE-UP DUE

Class #\Date	Topics	Readings
25. Dec 7	Revisiting Finance Ecosystems Detroit’s Development Finance Systems	<ol style="list-style-type: none"> 1. Kresge Foundation, Capital Absorption in Detroit: Past, Present and Future

This class will revisit the question of how economic development finance operates as a system and the role of practitioners in strengthening and improving the system’s effectiveness using a Detroit as the focus and drawing what we have learned from the many reading and term projects.

Class #\Date	Topics	Readings
26. Dec 9	Course Conclusion	<ol style="list-style-type: none"> 2. EDF, Chapter 19 3. A. Levere, B.Schweke and B. Woo, <i>Development Finance and Regional Economic Development</i>

The final session will look back over the semester's work to identify key themes and conclusions related to economic development finance. Possible areas of discussion include: How have your views evolved on the role of financing in economic development? What principles should guide economic development finance activities? What can we say about best practices in designing and managing programs and institutions? Can development finance institutions survive as an alternative to conventional capital markets? What key challenges do they face?

TERM PROJECT REPORTS DUE DECEMBER 11th.

Date	Topic	Assignments
Wednesday September 9	Course Overview	Readings
Monday September 14	Capital Markets, Market Imperfections and Finance Gaps Development Finance Systems	Readings
Wednesday September 16	Business Finance Needs & Products	Readings
Monday September 21	Intro to Accounting and Finance Statements	Readings
Wednesday September 23	Financial Statement Analysis, Evaluating Firms for Financing	Readings Business Financial Analysis Worksheet (Pine Tree Lumber) Term Project Preferences Due
Friday/September 25	Recitation	Review of financial statement analysis, Pine Tree Lumber, Crystal Clear Window Company Assignment
Monday September 28	Working Capital Finance	Crystal Clear Case Due
Wednesday September 30	Fixed Asset Financing	Readings Cambridge Biotech Case
Friday October 2	Recitation	Review of Crystal Clear Case Phoenix Forge Assignment Project Team Meetings
Monday October 5	Real Estate Financing	City Plaza Financial Analysis Worksheet
Wednesday October 7	Phoenix Forge Role Play	Phoenix Forge Case Assignment Term Project Work Plans Due
Friday October 9	Recitation	Review of real estate finance/City Plaza Project Team Meetings
October 12 – no class	Columbus Day Holiday	
Tues/October 13 (MIT Monday Schedule)	Municipal Finance I :Debt and TIF Financing	Readings
Wednesday October 14	Municipal Finance II :Assessment Districts, PACE and Business Improvement Districts	Readings Orlando TIF Financial Analysis Worksheet
Friday October 16	Recitation	Review of Orlando TIF Analysis Inner City Financing Case
Monday October 19	Tax Credit Financing	Readings
Wednesday October 21	Federal Economic Development Programs; HUD 108 Financing	Inner City Supermarket Case Write-up
Friday October 23	Recitation	Project Team Meetings
Monday October 26	Loan Guarantee and Credit Enhancement: SBA, CAP, State Small Business Credit Initiative	Readings

Wednesday October 28	Financial Market Regulation, Community Reinvestment Act, Crowdfunding	Readings
Friday October 30	Recitation	Project Team Meetings
Monday November 2	Revolving Loan Funds	Readings
Wednesday November 4	Angel and Venture Capital Finance	Readings
Friday November 6	Recitation	Project Team Meetings
Monday November 9	CDFIs	Readings
November 11- no class	Veterans Day Holiday	
Friday, November 13	Detroit Field Trip/Recitation	Project Team Meetings
Monday November 16	Microenterprise Financing and Business Development	Readings Cleveland CDFI Case
Wednesday November 18	Market Research, Program Planning and Design, Financial Models and Projections	Readings
Friday November 20	Recitation	Financial Projections & Manufacturers Fund Case Project Team Meetings
Monday November 23	Term Project Presentations	
Wednesday November 25	Term Project Presentations	
Monday November 30	Finance Program Operations	Readings
Wednesday December 2	Finance Program Capital Management	Readings Manufacturer's Fund Case Write-up Due
Friday December 4	Recitation	Project Team Meetings
Monday December 7	Revisiting Development Finance Systems/Detroit System	Readings
Wednesday December 9	Course Conclusion	Readings
Fri/December 11		Final Project Reports Due