

July 6, 2007

Mr. Matt Josephs  
NMTC Program Manager  
CDFI Fund  
U.S. Department of Treasury  
601 13<sup>th</sup> Street NW, Suite 200 South  
Washington, DC 20005

Dear Matt:

The following represents a consensus of the undersigned Certified Development Entities as a response to the May 22, 2007 "Request for Public Comments" inviting suggestions for how the CDFI Fund should "ensure that non-metropolitan counties receive a proportional allocation of QEIs consistent with the New Markets Tax Credit extension legislation passed in early 2007.

Thank you for providing the opportunity to respond on a matter so crucial to the industry and to serving these high-need areas within our nation.

Sincerely,

William M. Dana, Jr., President and CEO, Central Bank of Kansas City

Terri Preston-Koenig, Executive Director, Valued Advisor Fund

Bill Seddon, Manager, Business Retention and Attraction,  
St. Louis Development Corporation

William Bay, President, Impact Seven

Gene Stinson, President, Southeast Economic Development Corporation

Victor J. Elmore, President and CEO, Texas Mezzanine Fund

Steven Duvall, Executive Director, Neighborhood Investment Development Corporation

Summary: This document invites comments from the public on certain issues regarding how, for the purposes of the NMTC program, the CDFI Fund should ensure that non-metropolitan counties receive a proportional allocation of QEIs. All materials submitted will be available for public inspection and copying.

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Section 102(b)(6) of the Tax Relief and Health Care Act of 2006 amended IRD section 45D(i)6 to provide that the Secretary shall prescribe regulations to ensure that non-metropolitan counties receive a proportional share of allocation of QEIs.

For the purposes of the NMTC Program, the CDFI Fund defines metropolitan and non-metropolitan areas in accordance with OMB Bulletin No. 04-03

Commentators are encouraged to consider at minimum the following issues:

- 1) Allocations of QEIs – The CDFI Fund does not allocate QEIs to geographic areas per se. Rather the CDFI allocates NMTCs to CDEs, the vast majority of which have service areas encompassing statewide, multi-state or national markets and which include both metropolitan and non-metropolitan counties. Further the location of an allocatee CDE's headquarters is neither indicative of the geographic location of its investors nor where it intends to make its QLICIs. Similarly an allocatee's investors may be located in metropolitan or non-metropolitan counties – consequently commentators are asked to consider several alternatives to ensure non-metropolitan counties receive a proportional share of QEIs:
  - a. Should the CDFI endeavor to ensure that a desired portion of investors reside or be headquartered in non-metropolitan counties?
    - i. (comment) – while this might help to some degree it may not be a functional solution as many of these potential investors will have AMT limitations which might limit them to participating only in small portions of the conventional debt side of transactions and would likely mean that applicants would struggle to get anything close to resembling commitment letters from such sources for their applications and would only access these resources in small components as transactions are closed – making it difficult to document during the application process
  - b. Location of allocatees: Should the CDFI fund endeavor to ensure that either (1) a desired portion of the NMTC allocatees as a percentage of the total number of allocatees) in any given round are headquartered in non-metropolitan counties or (2) a desired proportion of NMTC allocation (as a percentage of the total dollar amount of allocation authority) in any given round is provided to CDE's that are headquartered in on-metropolitan counties
    - i. (comment) – as noted earlier in the Fund's comments many allocatees are headquartered in both metro and non-metro areas

and fund in statewide, multi-state and national areas – the location of the CDE is not indicative of where the actual QEI or QLICI will be funded – so it does not appear that this solution will drive QEIs into non-metropolitan counties per se – at least there is no logical connection that would require this to happen

c) Principal service area of allocatees: Should the CDFI Fund endeavor to ensure that either (1) a desired proportion of the NMTC allocatees (as a percentage of the total number of allocatees in any given round is principally serving non-metropolitan counties; or (2) a desired proportion of the NMTC allocation authority (as a percentage of the total dollar amount of allocation authority for any given round is provided to CDEs principally serving non-metropolitan counties? – If so what is the definition of principally serving?

i. (comment) – while this moves in the direction of proportionally putting the QEIs into non-metropolitan counties – it does not require the QEIs to be utilized in these counties – it simply funds CDEs who “principally serve” – even if the definition is 85% - a CDE could be funded – expend its allocation - and only serve at 50% or lower – failing to meet its intent – but not failing the programs recapture rules – perhaps they would risk not getting funded again – but they would get their QEI out – just not in the intended location

d) Location of QLICIs: Should the Fund endeavor to ensure that a desired proportion of the QLICIs is provided in non-metropolitan counties, without consideration of where the CDE is headquartered or which counties the CDE is principally serving?

i) (comment) – This seems to be the most on target – if a CDE is committed to serving a specific percentage in non-metropolitan counties and demonstrates the pipeline, business strategy and community accountability to back this up – then they should be required to perform as indicated in the application funded – regardless of where they are principally located or principally targeted – the capacity to work in non-metropolitan counties should be the key component – and then the requirement to perform if allocated.

e) Proportionality – with respect to all alternatives the proportionality should be based on the low-income community per-capita statistic – or 25% -

i) (comment): If the Fund finds that this amount of QEI cannot be placed in the same timeframes as metropolitan funds than this should either be reconsidered or an alternative time frame introduced for non-metro transactions.