



A Catalyst for Creating Real Impact in Real Communities

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TO: NMTC Program Manager, CDFI Fund
U.S. Department of the Treasury
601 13th Street, NW, Suite 200 South,
Washington, DC 20005

A handwritten signature in black ink that reads "Mark A. Edelman".

FR: Dr. Mark A. Edelman, Community Vitality Center Director _____

RE: CVC Board Comments submitted pursuant to May 22 Federal Register notice at www.newmarketscredits.com.

BY MAIL and E-MAIL (cdfihelp@cdfi.treas.gov)

Below please find comments endorsed by the Iowa Community Vitality Center Board which includes 30 leaders from across Iowa representing diverse community vitality interests. The Community Vitality Center has a mission of serving as a catalyst in conducting innovative research, demonstrations and dialogue projects for enhancing community vitality in nonmetro communities and rural areas. In recent weeks, CVC provided data and maps to assist an Iowa working group in their discussions regarding New Market Tax Credit concepts for response to the May 22 Federal Register notice. Based on the level of consensus achieved and after a review of the potential benefits for rural America, the CVC unanimously endorsed and submits our comments below. The Iowa working group included representatives from the Iowa Bankers Association Economic Development Committee, Iowa Bar Association Economic Development Task Force, Iowa Rural Electric Cooperative Development group, Community Development Financial Institutions, and Community Development Entities.

1. Allocations of QEIs

(a) Location of investors - Should the CDFI Fund endeavor to ensure that a desired proportion of investors (those persons or entities making QEIs in CDEs) reside or be headquartered in non-metropolitan counties?

Answer: No.

(b) Location of allocatees - Should the CDFI Fund endeavor to ensure that either:

i. A desired proportion of NMTC allocates (as a percentage of the total number of allocates) in any given NMTC allocation round is headquartered in non-metropolitan counties?

Answer: No.

or

ii. A desired proportion of NMTC allocation authority (as a percentage of the total dollar amount of allocation authority) in any given NMTC allocation round is provided to CDEs headquartered in non-metropolitan counties?

Answer: Yes.

(c) Principal service area of allocatees - Should the CDFI Fund endeavor to ensure that either:

i. A desired proportion of NMTC allocates (as a percentage of the total number of allocates) in any given NMTC allocation round is “principally serving” (i.e., making QLICIs in) non-metropolitan counties?

Answer: No.

ii. A desired proportion of NMTC allocation authority (as a percentage of the total dollar amount of allocation authority) in any given NMTC allocation round is provided to CDEs principally serving non-metropolitan counties?

Answer: Yes.

If so, what is the appropriate meaning of “principally serving” (e.g., 85 percent of total QLICIs made by the CDE, 50 percent of total QLICIs made by the CDE, or another calculation)? We note the statute requires a proportional amount of QEI’s to go to non-metropolitan counties and QEI’s go to CDE’s. Consequently to meet the statute, the proportional amount must be allocated to non-metropolitan CDE’s. To meet Congress’s intent QEIs must also go to non-metropolitan CDE’s that serve non-metropolitan areas.

Answer: 50 percent of total QLICIs.

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

Answer: No, we believe the non-metropolitan counties will be best served by non-metropolitan CDE's as the program relates to non-metropolitan counties. We consequently believe that CDE's should be based in non-metropolitan areas or metropolitan areas of less than one million population. CDEs based in metropolitan areas of a million population or more should not access the NMTCs intended for non-metropolitan areas.

2. Proportionality

(a) Specifically, with respect to alternatives (a) and (d) under the first issue, should the CDFI Fund define the term proportional to mean: the proportion of the U.S. population that resides in non-metropolitan areas (approximately 17.4 percent); the proportion of low-income communities that are located in non-metropolitan areas (approximately 25 percent); or another calculation?

Answer: 25 percent. Please also see our comment to 1(c)(ii) above.

(b) With respect to alternatives (b) and (c) under issue 1, should the proportion pool for a given NMTC allocation round (for example, if 25 percent of the applicant pool consists of CDEs that predominantly serve non-metropolitan areas, the CDFI Fund would ensure that 25 percent of the allocates predominantly serve non-metropolitan areas); or (ii) that portion of the applicant pool that, after the first phase of application review and scoring, met or exceeded the minimum scoring threshold to be eligible for NMTC allocations?

Answer: Neither, non-metropolitan America has been under-funded and the 25%-35% percentage of NMTC authorized for non-metropolitan areas should be allocated in full irrespective of the ratio of applying non-metropolitan CDEs to all applying CDEs.

(c) With respect to alternatives (c) and (d) under issue 1, should the percentage of QLICIs made in low-income communities be based upon the total number of QLICIs made by a CDE, or the total dollar amount of those QLICIs?

Answer: The total dollar amount of these QLICI's.

Additional Suggestions

Rural Mid-America began bleeding from out migration many, many years ago and is at serious risk of death. The out migration was and is principally of the younger population. As the remaining older members die they are not being replaced and the area is dying with them.

The eligibility test of the CDFI does not adequately evaluate either the needs of these regions or the risk of such regions' disappearance from the American montage. For example, although rural Iowa is in serious difficulty as a result of loss of population and a remaining aged population, few areas qualify as targeted areas. Those older people remaining in rural Mid-America often have incomes just adequate to sustain them, often just enough income to exceed CDFI's eligibility standards. This results in the absence of areas that qualify and leads to inadequate aid from NMICs even though the areas are under great stress none-the-less.

1. Counties in which residents over the age of sixty-five exceed 15.0 percent of the population and which have experienced a population loss in the last 20 years will qualify.

2. Given that only 7% of previous New Market Tax Credit (NMTC) awards have gone to non-metropolitan America and that 25% of the qualifying census tracts are non-metropolitan, we recommend that 35% of future NMTC awards be made in non-metropolitan census tracts. Awards from this 35% allocation should be made only to CDFI's and CDE's located in non-metropolitan areas or metropolitan areas of less than one million population and also domiciled in states that have only non-metropolitan census tracts or metropolitan areas of less than one million population. Awards made from this 35% may also only be deployed within those states that do not have any metropolitan areas exceeding one million in population.

3. In determining a non-metropolitan NMTC award the CDFI should also consider the workforce labor shed surrounding that NMTC qualifying census tract. If any contiguous census tract to a qualifying non-metropolitan census tract is also considered to be non-metropolitan, and part of the qualifying census tract's workforce labor shed comes from that contiguous census tract, then that contiguous census tract should be deemed to be a qualifying census tract for NMTC awards.

Thanks for your consideration.

cc Iowa Congressional Delegation