

# NMTC MONTHLY REPORT

A MONTHLY PUBLICATION ON THE NEW MARKETS TAX CREDIT INDUSTRY

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## Treasury, CDFI Fund Announce \$4.1 Billion in New Markets Tax Credits

By Alex Ruiz, Managing Editor, Novogradac & Company LLP

Last month, U.S. Treasury Secretary John W. Snow announced in Philadelphia, Pa. the names of the 63 organizations that were selected to receive \$4.1 billion in tax credits for investments in low-income communities under the New Markets Tax Credit (NMTC) program. Snow also included in his announcement the 13 organizations set to receive tax credits for \$600 million in investment for specific use in the redevelopment of the Hurricane Katrina Gulf Opportunity Zone (GO Zone).

"Job creation and investment in our economy are the cornerstone of President Bush's pro-growth policies. Today's announcement encourages even more jobs and progress in some of the neediest communities across the country," Snow said.

The 63 organizations were selected through a competitive application and rigorous review process administered by Treasury's Community Development Financial Institutions (CDFI) Fund. Throughout the life of the NMTC program, the CDFI Fund is authorized to allocate to CDEs the authority to issue to their investors up to the aggregate amount of \$16 billion in equity, including \$1 billion for use in the GO Zone. In four rounds to date, the CDFI Fund has made 233 awards totaling \$12.1 billion in tax credit authority, including \$600,000 in GO Zone allocations.

"The new markets program is not only achieving its goal of attracting sources of private capital to our nation's low-income communities, it is exceeding all expectations — with awardees committing to provide extremely innovative and flexible financing tools for projects located in more severely distressed communities than minimally required by program rules," said CDFI Fund director Art Garcia.

"From manufacturing plants in Iowa to health centers on the Gulf Coast, the previous award recipients are raising equity from investors and closing investments quickly," he said. "Of the 170 organizations awarded prior to this announcement, 82 percent have reported raising investor capital totaling \$4.45 billion. This represents more than one-half of the \$8 billion in allocation authority issued to these allocatees — a remarkable pace considering that the first NMTC awards were made just three years ago."

The CDFI Fund says that the NMTC program has achieved national coverage. To date, 233 NMTC awards totaling \$12.1 billion of tax credit authority have been made to 187 different CDEs. Allocatees are headquartered in 40 states and the District of Columbia. They have indicated primary service areas that cover 49 states and the District of Columbia. Only one state, Wyoming, has not been specifically identified as part of an allocatee's primary service area. But at least one prior-year allocatee, headquartered in New York City but serving a national market, has made an investment in Wyoming. It used part of its allocation to finance the renovation of a 6,500-square-foot historic fire station in Casper, Wyo. This building had been vacant for 30 years, and will now be converted to commercial use.

In analysis released last month, the New Markets Tax Credit Coalition reports that the 63 CDEs that received allocations in the most recent round are headquartered in 19 states and the District of Columbia and intend to target their allocations to 40 states and the District of Columbia. The Coalition also notes that a number of CDEs headquartered in predominantly rural states, Montana, South Carolina and South Dakota, are first-time allocatees.

The CDFI Fund reports that the average allocation award in the fourth round is approximately \$65 million per

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allocattee. Allocation awards range in size from \$2 million to \$143 million. The median allocation award amount in this round is \$60 million.

Twenty-four of the allocatees, or 38 percent, are not-for-profit organizations or subsidiaries of not-for-profit organizations. They will receive allocations totaling \$1.41 billion. Twelve of the allocatees, or 19 percent, are certified CDFIs or subsidiaries of certified CDFIs. They will receive allocations totaling \$851 million. Fourteen of the allocatees (22 percent) are non-CDFI banks or bank holding companies; publicly traded institutions; or subsidiaries of such entities. They will receive allocations totaling \$1.26 billion. Four of the allocatees (6 percent) are governmentally controlled entities. They will receive allocations totaling \$269 million.

The CDFI Fund reports that all 63 of the allocatees indicated that they would invest more than the minimally required 85 percent of qualified equity investment (QEI) dollars into qualified low-income community investments (QLICs), and 58 of the 63 allocatees indicated that at least 95 percent of their QEI dollars would be invested into QLICs.

In real dollars, this means at least \$477 million above and beyond what is minimally required by the NMTC program will be invested in low-income communities. The CDFI Fund will require these allocatees, through their allocation agreements, to meet the benchmarks identified in their applications.

## GO Zone Allocations

At an event on June 6, Garcia highlighted tax credit awards to 17 organizations serving the Gulf Coast region. The awards represent more than \$850 million in investment in low-income communities in New Orleans, La. and Biloxi, Miss.

Thirteen organizations in the Gulf region and across the nation received tax credit awards from the additional \$600 million in NMTC allocation authority made possible by GO Zone legislation following Hurricane Katrina. Four other organizations headquartered in the Gulf Coast region received allocations from the \$3.5 billion in NMTC allocations initially available this round.

The events at The Magnolia in New Orleans and the Coastal Family Health Center in Biloxi were part of a series of Treasury announcements. "The economic investment and jobs the new markets program encourages are exactly what the Gulf Coast region needs to get back on its feet and running," Snow said on June 6. "I was pleased to announce last week's awards for the neediest communities across the country, but I am especially proud of the hope this program offers to the Gulf."

"The new markets program brings much-needed sources of private

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capital to the Gulf region," said Garcia. "We know from past experience, this incredibly successful program and the investment it brings will help heal the Gulf Coast. The additional funds made available by GO Zone legislation guarantee that over \$600 million in investment authority will be directed specifically to the distressed areas of the Gulf."

Organizations receiving awards for their investment in the Gulf region include: Hibernia Community Renewal Fund LLC, National Cities Fund LLC, Liberty Bank and Trust Company, Urban Development Fund LLC, Chase New Markets Corporation, Chevron NMTC Fund LLC, CCG Community Partners LLC, American Community Renewable Energy Fund LLC, Greystone CDE LLC, National Tribal Development Association, National New Markets Fund LLC, Capital Link Inc., Enterprise Corporation of the Delta, MK La Charitable Health Care Facilities Funds, Advantage Capital Community Development, Enhanced Delta Community Development LLC and Stonehenge Community Development LLC of Baton Rouge.

## Congressional Praise

Several members of Congress heaped praise on the NTMC program during announcements in their jurisdictions last month. Sen. Chuck Grassley, R-Iowa, in his announcement that two community development entities in Iowa had received a total of \$105 million in NMTCs, said it was a victory to have the federal tax credits directed to Rural Development Partners (\$60 million) and Iowa Community Development (\$45 million) because the program had been neglecting rural America in favor of low-income urban communities. "I've been putting pressure on the Treasury Department by offering legislation, sending letters, and asking questions of nominees to high-level Treasury posts. Some of these program resources needed to be directed to rural America," Grassley said. "Today that work paid off with \$105 million in tax credits for Iowa, along with other rural states. Creating this kind of private-sector investment in Iowa cities and towns is key to a robust and revitalized economy at the grassroots."

In Bolton, Miss., Rep. Bennie G. Thompson, D-Miss., announced that the Enterprise Corporation of the Delta was selected to receive \$15 million in NMTC allocation authority. "This tax credit allocation authority will go a long way to support the recovery and redevelopment of the Hurricane Katrina Gulf Opportunity Zone, by stimulating economic growth and creating jobs," he said.

Rep. Stephanie Tubbs Jones, D-Ohio, a member of the House Ways and Means Committee, announced that the National City New Market Fund Inc. was selected to receive \$125 million in NMTC allocation authority. Tubbs Jones called the allocation a victory for the Northeast Ohio and urged her colleagues to extend authorization for the NTMC program.

"This \$125 million allocation of new markets tax credits to the

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National City New Market Fund is not only a recognition of National City's outstanding commitment to low-income communities, but it is also a victory for the economic development of Cleveland and Northeast Ohio," Tubbs Jones said.

"The New Markets Tax Credit program has been a success since the first allocations were made in 2003. It injects needed capital into economic development projects in low-income communities — a sector that has traditionally been underserved by conventional lenders and investors due to the high risk of investing in such projects," she said. "I look forward to working with my congressional colleagues in order to ensure that we extend the authorization of the New Markets Tax Credit program beyond 2007." ❖

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