

NMTC MONTHLY REPORT

A MONTHLY PUBLICATION ON THE NEW MARKETS TAX CREDIT INDUSTRY

November 2007 Volume VI, Issue XI, Published By Novogradac & Company LLP

CDFI Fund Announces Fifth Round of NMTC Allocations

By Alex Ruiz, Managing Editor, Novogradac & Company LLP

Deputy Treasury Secretary Robert M. Kimmitt and Community Development Financial Institutions (CDFI) Fund Director Kimberly A. Reed announced on October 5 in New Orleans, La. the 61 organizations selected to receive \$3.9 billion in tax credits for use in low-income communities under the 2007 round of the New Markets Tax Credit (NMTC) program.

Kimmitt and Reed were in the area for the announcement to highlight the 11 organizations receiving \$400 million in NMTC for specific use in the redevelopment of the Hurricane Katrina Gulf Opportunity Zone (GO Zone). "These tax credits are intended to spur new private sector investment in communities in need across the United States and encourage continued redevelopment and reconstruction in the Hurricane Katrina Gulf Opportunity Zone," Kimmitt said.

Reed echoed this support for the use of NMTCs in the GO Zone. "I am pleased how the New Markets Tax Credit program is making a difference in the redevelopment of communities across the Gulf Coast," she said.

Donald E. Powell, federal coordinator for Gulf Coast rebuilding, remarked on the \$400 million allocated specifically for the redevelopment and reconstruction of the Hurricane Katrina Gulf Opportunity Zone (GO Zone). "These tax credits are an excellent incentive for investors to focus on communities desperately needing economic development," Powell said. "And I cannot think of a better recipient than the communities here in the Gulf Coast region."

Powell, along with Kimmitt and Reed, participated in a tour of Ochsner Baptist Medical Center, beneficiaries of last year's tax credits. "It's very encouraging to be here and see the progress that's been made with the help of last year's tax credits," Powell said.

Louisiana Gov. Kathleen Babineaux Blanco issued a statement following the tour and announcement. "This is great news for Louisiana's recovery," she said. "Congress and the President should be proud of this effective federal program that encourages investment in areas in need of economic development. Louisiana, too, should be proud as one of the few states in the Union to have our own state NMTC program to further catalyze economic development. In Louisiana, when we talk community development, we mean business. NMTC is effectively encouraging investment in communities needing a boost. It is an American success story, combining the power of public and private resources to make important investments in our nation's communities."

Highlights of Round Five

The 61 allocatees receiving credits in the fifth allocation round are headquartered in 24 states and the District of Columbia, but anticipate serving 45 states, D.C. and Puerto Rico. In the five rounds to date, the CDFI Fund has made 294 awards totaling \$16 billion in NMTC authority.

For the fifth round, 258 CDEs applied for NMTC allocations, requesting a total of \$27.9 billion. Of those, 61 CDEs (or 24 percent of the total applicant pool) received allocation authority. Allocation awards range in size from \$12 million to \$133 million. The average allocation award is approximately \$64 million per allocatee; the median allocation award amount is \$60 million.

Twenty-eight of the allocatees (46 percent) will focus investment activities on a national service area; nine of the allocatees (15 percent) will focus on a multi-state service area; 11 of the allocatees (18 percent) will focus activities on a statewide service area; and 13 of the allocatees (21 percent) will focus on local markets.

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Fifth Round

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The CDFI Fund reports that 20 of the allocatees (33 percent) intend to dedicate some or all of their activities to the GO Zone. They have received allocations totaling \$987 million. Based on information reported by the allocatees, it is anticipated that approximately \$2.24 billion (or 57.3 percent) will be invested in major urban areas; approximately \$951 million (or 24.3 percent) will be invested in minor urban areas; and approximately \$720 million (or 18.4 percent) will be invested in rural areas.

All 61 of the allocatees indicated that at least 80 percent of their activities will be provided in areas of higher economic distress than are minimally required under NMTC program rules and/or in areas targeted for development by other government programs, including 47 that indicated that 100 percent of their activities would be provided in such areas. Also, all 61 allocatees committed to providing at least 75 percent of their investments in areas characterized by: 1) multiple indicia of distress; 2) significantly greater indicia of distress than required by NMTC program rules; 3) high unemployment rates; or 4) devastation in the wake of a natural disaster.

Results to Date from Previous Rounds

The CDFI Fund reported as of October 5 that more than \$8.3 billion in qualifying equity investments have been made into CDEs since the program's inception. This represents more than 68 percent of the \$12.1 billion in allocation authority issued to CDEs through the first four allocation rounds. In addition, preliminary analysis shows that 132 allocatees reported closing approximately \$5.7 billion in QLICs through 2006. Approximately 65 percent of activities (by dollar amount invested) were directed toward commercial real estate, including retail, mixed-use, industrial/manufacturing and community facilities, such as charter schools, day-care centers and health-care facilities. The CDFI Fund says it is projected that these real estate transactions will help to develop or rehabilitate more than 46 million square feet of real estate in low-income communities, and create approximately 146,000 construction jobs. ❖

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ISSN 1541-2474

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