

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

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CDFI Fund
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Over \$1.9 Billion Invested in Low-Income Communities through the NMTC Program

(All information is based on data self-reported by Allocatees)

By Matt Josephs, Program Manager, NMTC Program

Community Development Entities (CDEs) that received allocations of tax credit authority under the first two program rounds of the New Markets Tax Credit (NMTC) Program have reported receiving over \$1.9 billion in equity investments; dollars that will in turn be used to finance businesses and real estate projects in low-income communities throughout the nation.

The NMTC Program, enacted in December of 2000, permits taxpayers to receive a credit against Federal income taxes for making Qualified Equity Investments (QEIs) in CDEs. The Fund allocates tax credit authority to CDEs through an annual competitive application process. Through two program rounds, the Fund has made 129 awards totaling \$6 billion in allocation authority. Awardees have five years from the date they enter into allocation agreements with the Fund to raise the requisite amount of investor capital and must place the capital in low-income community projects within one year of receiving the QEIs from investors.

Despite the newness of the NMTC Program, CDEs have already demonstrated an ability to issue QEIs much faster than the five-year timeline provided for in the program's authorizing statute. Of the 66 CDEs that were provided with awards in the 2001-2002 allocation round, all have executed allocation agreements with the Fund and 45 have issued QEIs to investors totaling \$1.098 billion, or 44% of the \$2.5 billion in allocations awarded in that round. Of the 63 CDEs that were provided with awards in the 2003-2004 allocation round, 56 have executed allocation agreements with the Fund, and 28 have issued QEIs totaling \$803 million, or 23% of the \$3.5 billion in allocations awarded under that round.

Banks and other regulated financial institutions have proven to be the single largest category of investors, investing \$882 million to date. Investment banks and/or investment partnership funds have invested \$551 million in CDEs, and corporate investors have placed \$363 million in CDEs. These dollars have financed a wide variety of community and economic development activities, including:

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- The development of a high-tech business incubator in inner city **Detroit** that will provide new technology training opportunities for community residents and entrepreneurial opportunities for minority and women business owners.
- Redevelopment of a grocery-anchored shopping center in **Cleveland** that is adjacent to a Hope VI public housing site.
- Project financing for a commercial and cultural center built on the site of an abandoned factory in **San Diego, California**.
- Investment in a sustainable forest project in **rural Maine** that will restore operations to a formerly closed mill.
- Rehabilitation of a 60,000 square foot commercial development, located on a former Brownfield site in **Tacoma, Washington**, that will house art galleries, a food establishment, and residential lofts.
- Purchase of a foreclosed manufacturing plant, located in **rural Oklahoma**, which has re-opened and now employs 21 individuals.
- Purchase and redevelopment of a church-operated childcare center in **Chicago, Illinois**.

The Fund is currently reviewing applications received under the third round of the NMTC Program, which makes available to CDEs another \$2 billion in allocation authority. The Fund received 208 applications requesting a total of \$23 billion in allocation authority in this round. The Fund anticipates making its award announcements in April of 2005.