

New Markets Tax Credit Bulletin

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NEW MARKETS TAX CREDIT ROUND VI GENERAL STATISTICS¹

October 22, 2008

On October 20, 2008, the CDFI Fund of the U.S. Treasury Department made its sixth allocation of New Markets Tax Credits (NMTC). The CDFI Fund awarded \$3.5 billion in Credit allocations to 70 Community Development Entities (CDEs).

In the first five rounds the CDFI Fund made 294 allocation awards totaling \$16 billion. As in past years, the demand for NMTC in 2008 far exceeded the amount of Credits available. This year 239 CDEs submitted requests for \$21.3 billion in credit allocations and 70 CDEs were ultimately successful.

Table 1 – NMTC Rounds I-VI
Application Demand, Available Allocation and Number of Allocatees

	Application Demand	Available Allocation	# of Allocatees
Round I	\$26 billion	\$2.5 billion	66
Round II	\$30 billion	\$3.5 billion	63
Round III	\$23 billion	\$2 billion	41
Round IV	\$28.3 billion	\$4.1 billion	63
Round V	\$27.9 billion	\$3.9 billion	61
Round VI	\$21.3 billion	\$3.5 billion	70
TOTAL	\$156.5 billion	\$19.5 billion	364

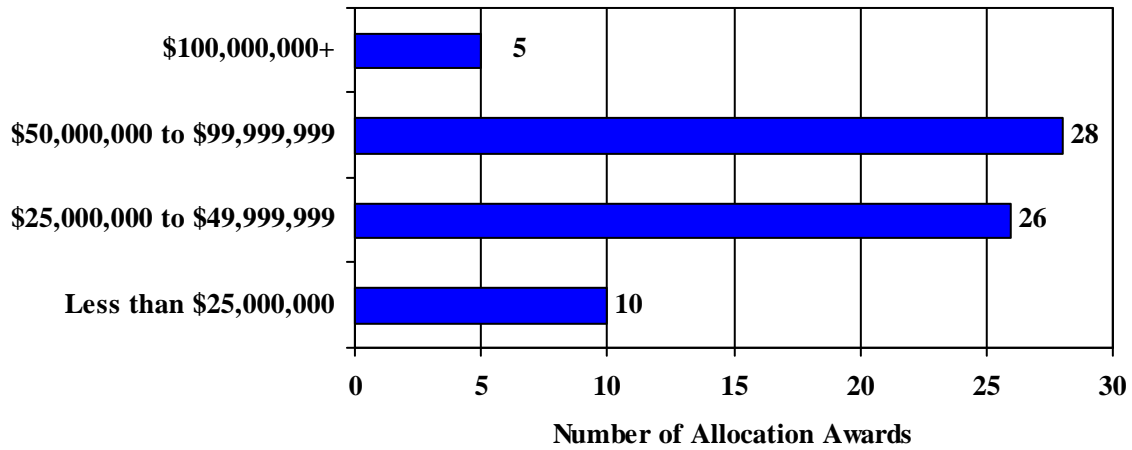
These 70 CDEs are headquartered in 29 states and the District of Columbia and intend to target their NMTC allocations to 46 states and D.C.

The Round VI Credit allocations range from \$6.25 million to \$112 million². Chart 1 shows that 5 CDEs received \$100 million or more and 28 CDEs were awarded Credits between \$50 million and \$99.9 million. Another 26 CDEs received allocations between \$25 million and \$49.9 million and 10 CDEs received allocations less than \$25 million each. The median allocation award amount in Round VI was \$45 million and the average allocation was \$50 million.

¹ This paper was prepared by Rapoza Associates, a public interest lobbying and government relations firm located in Washington, D.C. that specializes in providing comprehensive legislative and support services to community development organizations, associations, and public agencies. Rapoza Associates staffs the work of the New Markets Tax Credit Coalition (NMTCC).

² The CDFI Fund placed a \$150 million cap on NMTC allocations beginning with Round III.

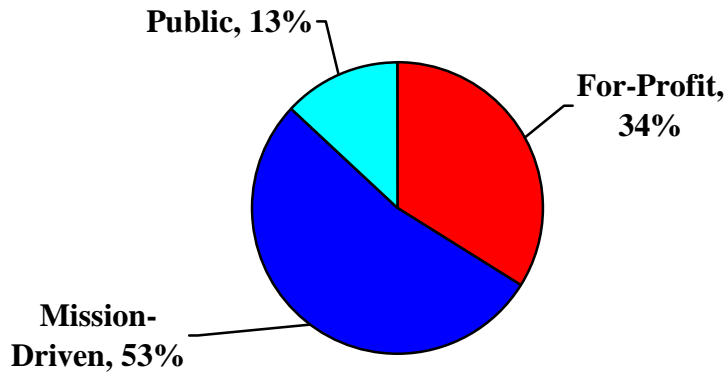
Chart 1 – NMTC Round VI
Range of Allocations in \$



Allocation by Type of Parent

In Round VI, mission-driven organizations received 53% of the allocation awards while CDEs affiliated with for-profit parents make up 34% of the total, and public bodies 13% (See Chart 2 and Table 2).

Chart 2 – NMTC Round VI
Credit Distribution by % of \$



In 2008, the total allocation to the 37 mission-driven CDEs (including 24 CDFIs) was \$1.86 billion and the allocation to 22 CDEs with a for-profit parent was \$1.2 billion. The 11 CDEs affiliated with public entities received \$445 million.

Each Round, CDEs have indicated in their Allocation Applications what portion of their investments will be made in major urban, minor urban and rural areas, but those are non-binding targets. Round VI allocatees, similarly, have indicated what percentage of their activities will be targeted to major urban, minor urban and rural communities in their service area, if any. Round VI CDEs have indicated that 26% of their investments (totaling \$895 million) will be made in rural areas.

Pursuant to Section 102(b) of the Tax Relief and Health Care Act of 2006 which was the NMTC extender vehicle in 2006, the CDFI Fund must ensure that a proportional allocation of Qualified Equity Investments will be provided in non-metropolitan counties. (The Office of Management and Budget defines non-metropolitan counties as those not contained in a Metropolitan Statistical Area.) For this reason, CDEs proposing to serve non-metro areas must agree to a binding commitment to invest in those areas. This year's allocatees, in compliance with that provision, have committed to investing at least \$717 million (20%) to non-metro areas.

Table 2 shows that CDEs with mission-driven parents have committed to invest 25% of their allocation in non-metro areas, as compared with 12% by CDEs with for-profit parents and 22% by CDEs with public parents. The fact that mission-driven CDEs will invest more in non-metro areas than for-profit CDEs is consistent with results from the previous five allocation rounds.

Table 2 – NMTC Round VI

Allocation by Type of CDE Parent, Allocation Amount & Committed Non-Metro Share

CDE PARENT	NUMBER OF CDEs	TOTAL ALLOCATION	ALLOCATION FOR NON-METRO AREAS	PERCENT OF ALLOCATION FOR NON-METRO
Mission-driven	37	\$1.86 billion	\$474.5 million	25.5%
<i>CDFIs</i>	24	<i>\$1.17 billion</i>	<i>\$332.95 million</i>	28.5%
For-profit	22	\$1.19 billion	\$142.4 million	12%
Public	11	\$445 million	\$100.25 million	22.5%
Total	70	\$3.5 billion	\$717.1 million	20.5%

As Table 3 shows, 6 of the CDEs are affiliated with for-profit developers and 16 are financial services companies.

Table 3 – NMTC Round VI

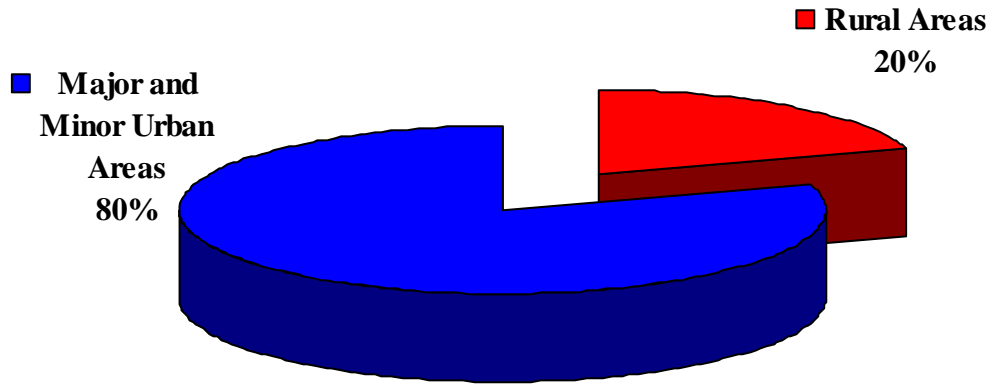
Allocation by Type of For-profit CDE Parent

Type of For-Profit CDE Parent	NUMBER OF CDEs	TOTAL ALLOCATION
Financial Services	16	\$900 million
Private Developer	6	\$292 million
Total	22	\$1.192 billion

Total Geographic Distribution

Chart 3 displays that CDEs will direct 80% (\$2.78 billion) of their activities to major and minor urban areas. The remaining 20% (\$717 million) will be targeted to non-metropolitan communities.

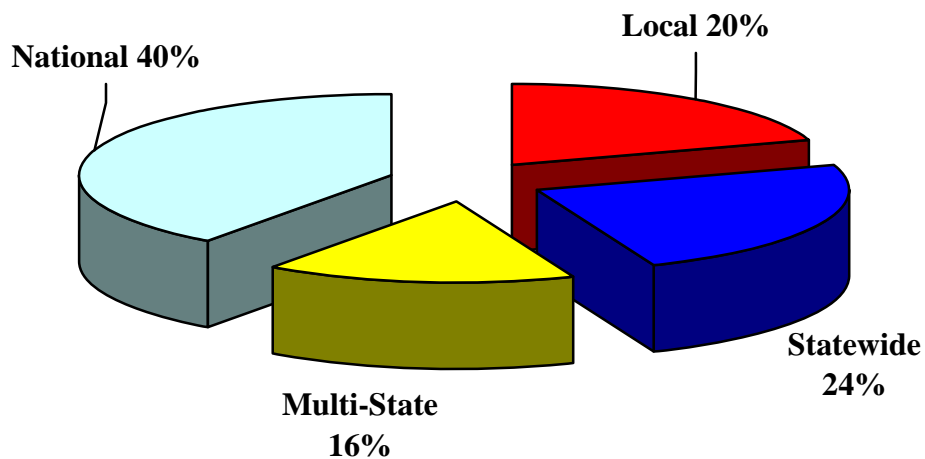
Chart 3 – NMTC Round VI
Overall Urban and Rural Distribution by % of \$



Jurisdictions Served

According to the CDFI Fund, fourteen CDEs (20%) will target a specific city or county; seventeen (24%) will conduct statewide programs; eleven (16%) will work in a multi-state area, and twenty-eight (40%) will work nationwide (See Chart 4).

Chart 4 – NMTC Round VI
Jurisdictions Served



Source: CDFI Fund

CDEs with the Largest Allocations

Table 4 shows the five CDEs with the largest allocations in Round Six. These groups represent three mission-driven CDEs, one for-profit CDE and one public entity.

Table 4 – NMTC Round VI
Largest Allocations, Headquarters of CDE and Service Area

	CDE	HQ STATE	ALLOCATION	SERVICE AREA
1	Coastal Enterprises, Inc.	ME	\$112 million	National
2	National New Markets Tax Credit Fund, Inc.	MN	\$110 million	National
3	MHIC NE New Markets CDE I, LLC	MA	\$105 million	Multi-State
4	Carolina First Community Development Corporation	NC	\$100 million	Statewide
5	Wisconsin Community Development Legacy Fund, Inc.	WI	\$100 million	Statewide
		TOTAL	\$527 million	

CDEs Contributing the Most to Rural Communities

In Round VI, 37 allocatees have proposed and are required to target at least \$717.1 million in NMTC investments to non-metropolitan areas. Overall, forty-eight CDEs, however, have indicated that they will serve rural areas with a combined \$894.85 million, even though they are not required to meet this level of investment.

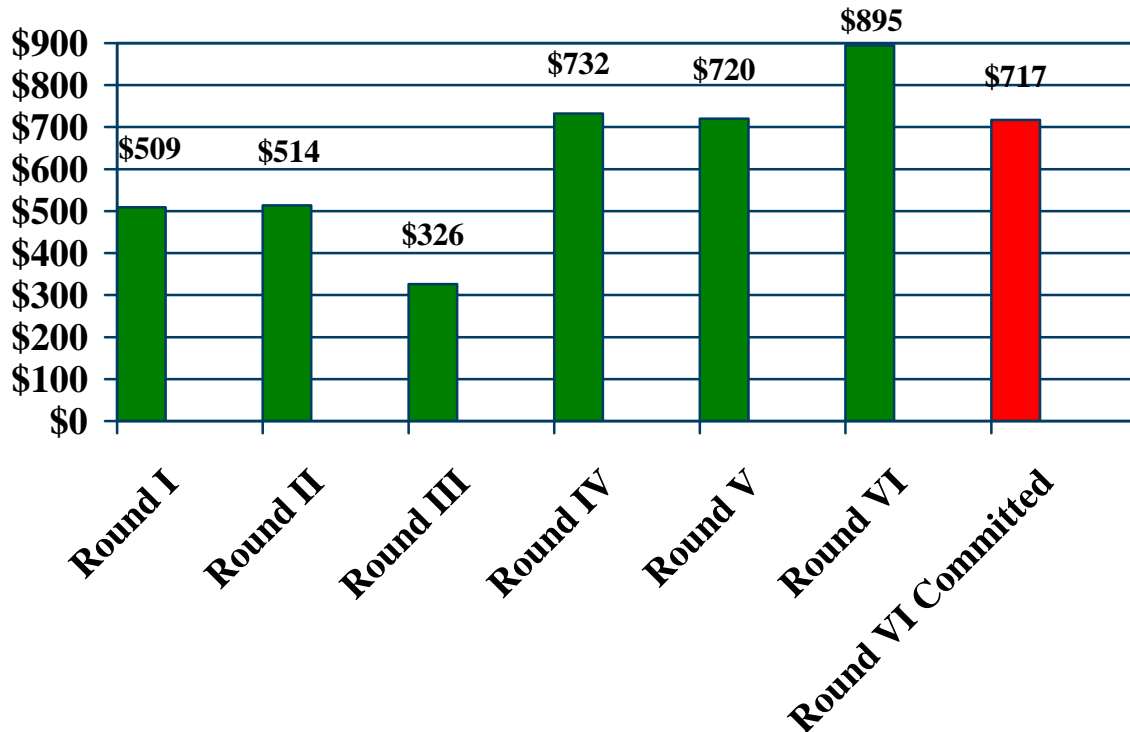
Twenty-two CDEs plan to target 25% or more of their allocation to rural areas. The CDEs listed in Table 5 will commit the greatest amount rural communities. Two of these CDEs have national service areas. The total NMTC investment in rural communities from these five CDEs combined (\$309.7 million) is almost half of all commitments to rural investment in Round VI allocations.

Table 5 – NMTC Round VI
CDEs Committing the Greatest Amount in Non-Metro Areas

	CDE	HQ STATE	ALLOCATION For Non-Metro	SERVICE AREA
1	Coastal Enterprises, Inc.	ME	\$67.2 million	National
2	Carolina First Community Development Corporation	SC	\$65 million	Statewide
3	Dakotas America, LLC	SD	\$64 million	Multi-State
4	Boston Community Capital, Inc.	MA	\$59.5 million	National
5	Rural Development Partners, LLC	IA	\$54 million	National
		TOTAL	\$309.7 million	

Chart 5 compares the allocations targeted to rural areas over the six allocation rounds. The percentage of dollars targeted to non-metro areas in Round VI is the highest in the program's history –about equal to Round I (20%), but above Rounds II (14%) and III (16%) and IV (17%) and V (18%). Although the dollar amount targeted was greater in Rounds IV and V, in years past CDEs were not required to make that actual level of investment in rural areas as they indicated on their application. This year it is certain that at least \$717 million will be invested in non-metro areas.

Chart 5 – NMTC Rounds I-VI
CDE Rural Targeting (in \$ millions)



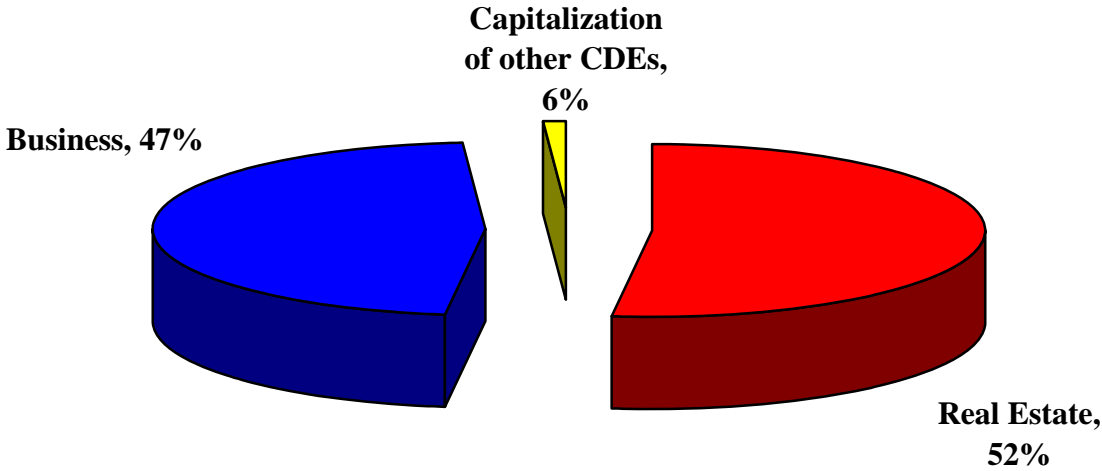
Predominant Financing Activity

According to the CDFI Fund, slightly more than half, or \$1.8 billion (52%) of Round VI allocations will be used to finance real estate projects in low-income communities. Of the 38 CDEs to focus on real estate financing, 8 will target community facilities, another 8 will finance retail, and the majority – 20 CDEs – indicate a focus on mixed-use real estate.

This year 32 CDEs will focus their investment activity on businesses. About \$1.6 billion (47%) will be directed as loans or equity investments in businesses in low-income communities. This represents a marked shift, up 16% from Round V.

Finally, just \$26 million (1%) will be used to finance other CDEs or to purchase loans from CDEs which is significantly less than last year's \$243 million (See Chart 6).

Chart 6 – NMTC Round VI
Types of Financing Activity



Round I – Round VI Comparisons

The CDFI Fund has allocated \$19.5 billion in Credits during these first six rounds of New Markets Tax Credits. Chart 7 shows that of this total, \$9.5 billion has been awarded to CDEs with for-profit parents, \$7.8 billion has been awarded to entities with mission-driven parents and \$2.2 billion to CDEs affiliated with a public entity.

In Round VI, CDEs that have either a mission-driven or a public parent together make up 68% of the total allocatees and received 66% of the total award amount – a much larger proportion than in Round V.

Chart 7 – NMTC Rounds I-VI
Total Distribution of Allocations by Type of CDE Parent

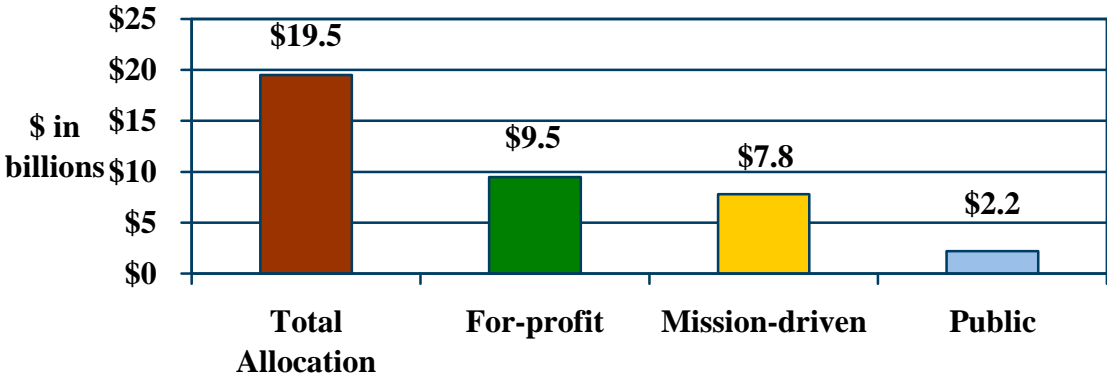


Chart 8 illustrates that the average and median allocations in Rounds I through VI. In 2008 both the average and median allocations went down, but the number of allocations increased to a new high of 70 - more than in any other Round.

Chart 8 – NMTC Rounds I-VI
Average and Median Allocations

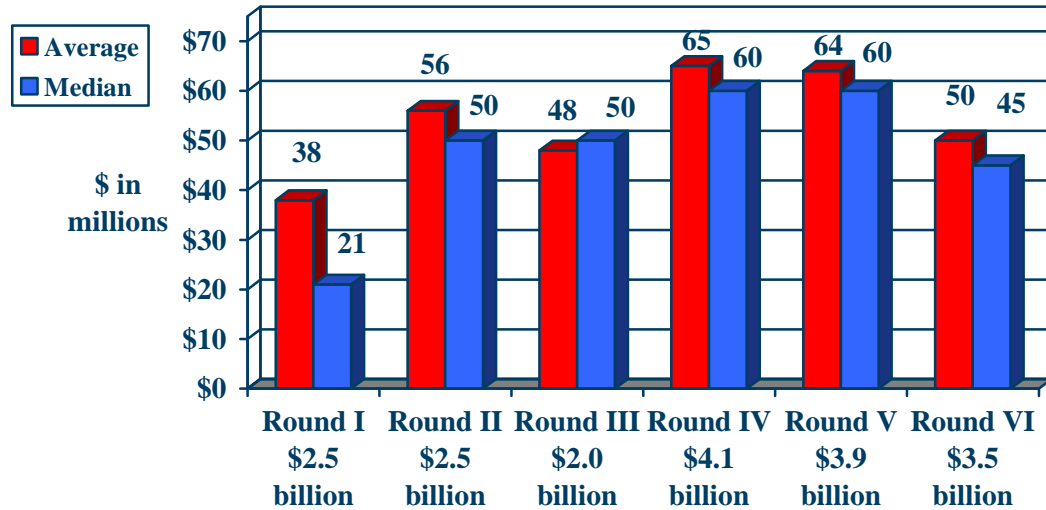


Table 6 shows the trend in the size of the average allocation for CDEs with a for-profit, mission-driven, and public parent.

Table 6 – NMTC Rounds I-VI
Average Allocation Amount by Round, Type of CDE Parent

Type of CDE Parent	Round 1	Round 2	Round 3	Round4	Round5	Round6
Mission-driven	\$31 million	\$56 million	\$49 million	\$59million	\$67 million	\$50 million
For-profit	\$38 million	\$58 million	\$50 million	\$72million	\$64 million	\$54 million
Public	\$98 million	\$54 million	\$38 million	\$61 million	\$55 million	\$40 million

The history of Credit allocations to CDEs with for-profit, mission-driven, and public parents is illustrated in Chart 9. The number of allocations to CDEs with for-profit parents reached a high of 36 in Round V while the number of Credits awarded to CDEs with mission-driven parents was just 16 in Round V. This year, however, you can see a marked shift; 37 mission driven CDEs received an allocation in Round VI along with 22 for-profit CDEs, and the number of allocations made to public CDEs reached a new high in Round VI.

Chart 9 – NMTC Rounds I-VI
Number of Allocatees by Round, Type of CDE Parent

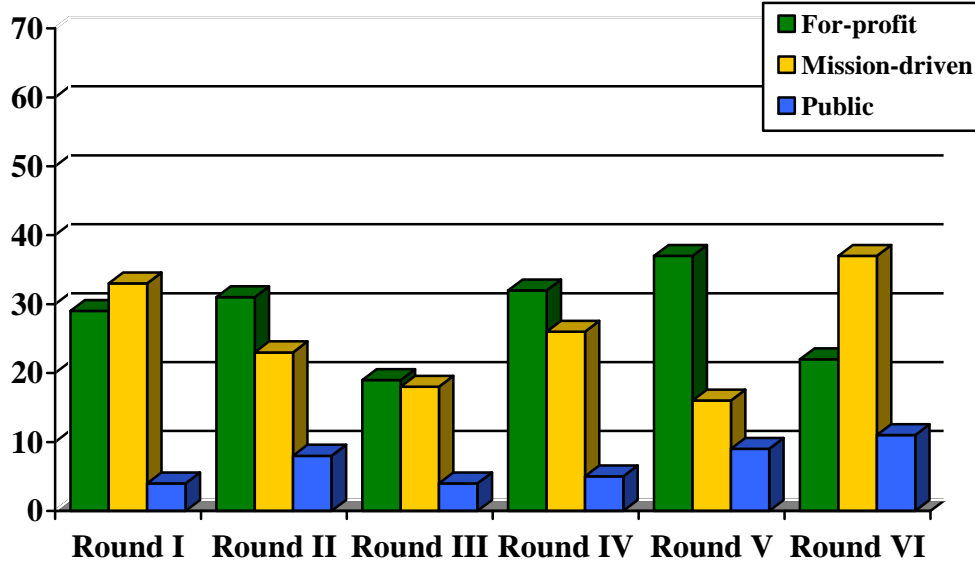
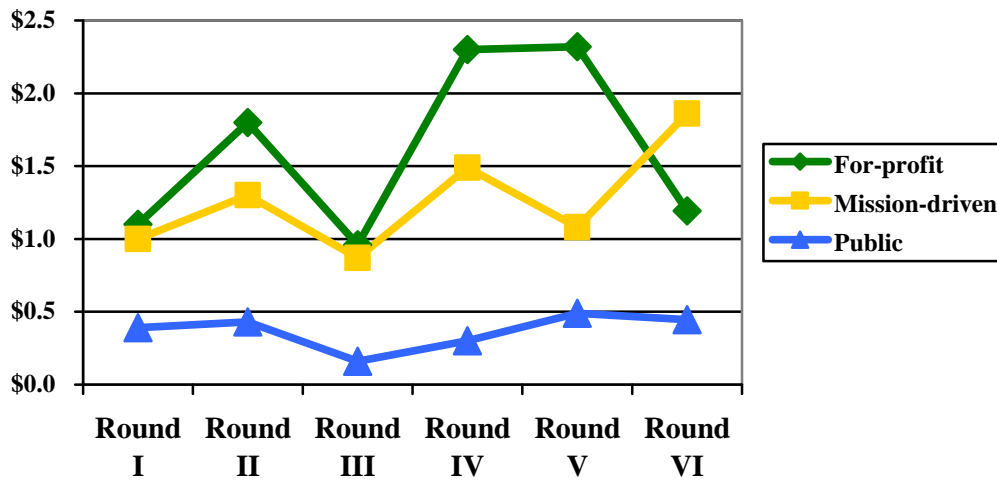


Chart 10 – NMTC Rounds I-VI
Amount of Allocations by Round, Type of CDE Parent (in \$ billions)



Characteristics of New Allocatees

In Round VI fifteen CDEs received their first NMTC allocation. In total, they received awards of \$522 million. The eight mission-driven CDEs received a total of \$237 million, three for-profit CDEs received a total of \$150 million and four public CDEs received awards totaling \$135 million.

In terms of service area, 6 of the new allocatees will focus investment activities in a local service area, another 6 will serve a statewide area, 1 will serve a multistate area and 1 has a national service area.

Nine new allocatees will invest \$124 million in rural areas. Four of these CDEs will invest 50% or more of their allocation in non-metro areas.

The vast majority of new allocatees in Round VI will finance business activity (11 of the 15), while 4 new allocatees will invest in real estate – 2 in community facilities, one in retail and one in mixed-use.

Conclusion

The CDFI Fund awarded allocations to 70 CDEs in Round VI, more than ever. As a result, when compared with Round V allocations and previous Rounds, the average and median allocation award amounts decreased to \$50 million and \$45 million, respectively. For the first time since Round I more allocations were made to mission driven CDEs than for-profit CDEs and a greater number of allocations were made to public CDEs than ever before.

The non-metro provision in the 2006 tax extender legislation resulted in CDEs commitments to invest in non-metropolitan areas totaling \$717 million (20.5% of the \$3.5 billion available) which is the greatest percentage committed to serving rural communities in the program's history.

There was a high success rate for mission driven, non-profit organizations and CDFIs in this Round; 40% of nonprofit organizations and 51% of Community Development Financial Institutions applying for allocations were successful. Overall, only 29% of applicants received awards due to the competitive nature of the program and finite resources.

In terms of investment activities, 38 CDEs will focus on real estate activity but the other 32 CDEs in Round VI have indicated their predominant financing activity is investing in businesses. Investments in other CDEs will drop to 1% of the total, or \$26 million, down from \$246 million that was invested in other CDEs in Round V.

There were 15 new allocatees this year, and for the first time CDEs headquartered in New Hampshire and Montana received allocations.

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