# New Markets Tax Credit (NMTC) Public Data Release

## FY 2003 to FY 2020 Summary Report

October 2022

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND
www.cdfifund.gov

# Table of Contents

# NMTC Program and Summary Report Overview

- The New Markets Tax Credit Program (NMTC Program) permits investors to receive a credit against Federal income taxes for making qualified equity investments (QEIs) in designated Community Development Entities (CDEs). Substantially all of the QEIs must in turn be used by those awarded NMTC allocations (Allocatees) to provide investments in Low-Income communities. The credit provided to the investor totals 39% of the cost of the investment and is claimed over a seven-year credit allowance period.

- The CDFI Fund requires all Allocatees that have been awarded NMTC allocations to submit an annual report detailing how they invested QEI proceeds in Low-Income communities.

- These reports must be submitted to the CDFI Fund by the Allocatees, along with their audited financial statements, within six months after the end of their fiscal year.

- All NMTC investments by Allocatees must meet statutory qualifications for their investors to be able to claim the tax credit. The Internal Revenue Service (IRS) is responsible for the tax administration aspects of the NMTC Program, including responsibility for ensuring taxpayer compliance.

- The vast majority of NMTC investments are made within statutorily defined "Low-Income Communities."
  - In addition to making investments located in Low-Income Communities, Allocatees can rely on other statutory provisions designed to target certain areas or populations, including provisions for Rural Counties, and Low-Income Targeted Populations.

***The data represented in this summary report and accompanying data file was submitted by Allocatees prior to September 30, 2021.***

# NMTC Program Allocations

Through 17 application rounds of the NMTC Program, the CDFI Fund has made 1,354 awards, allocating a total of $66 billion in tax credit authority to CDEs through a competitive application process. This includes $3 billion in Recovery Act allocations and $1 billion of special allocation authority to be used for the recovery and redevelopment of the Gulf Opportunity Zone.

Since the NMTC program's inception, the CDFI Fund has allocated tax credit authority to 427 Organizations headquartered in 45 states, the District of Columbia, Guam, and Puerto Rico.

| | Allocation Amount | Number of Allocatees |
|---|---|---|
| **Calendar Year (CY) 2020** | $5.0 B | 100 |
| **Inception-to-Date** | $66 B | 1,354 |

# Real Estate and Non-Real Estate QALICBs

Allocatees generally invest in QALICBs that fall into one of two categories: real estate and non-real estate.

**Real Estate QALICBs** are entities whose predominant business activity (e.g. more than 50% of gross income) is the development (including construction of new facilities and rehabilitation/enhancement of existing facilities), management, or leasing of real estate that will be sold or leased to third parties.

**Non-Real Estate QALICBs** are entities whose predominant business activity includes all types of business activities, other than those listed for Real Estate QALICBs. A small fraction of investments are directed towards other unrelated CDEs that have not received their own tax credit allocation. Based on program activities reported through fiscal year (FY) 2020, $59.2 Billion in NMTC investments were directed through both Real Estate, Non-Real Estate QALICBs and investments made through other CDEs.

| QALICB Type | FY 2020 | | FY 2003 – FY 2020 | |
|---|---|---|---|---|
| Real Estate QALICB | $0.917 B | 27.2% | $26.848 B | 45.6% |
| Non-Real Estate QALICB | $2.482 B | 72.6% | $31.575 B | 53.2% |
| Loans/Investments Made to Other CDEs | $0.005 B | 0.1% | $0.778 B | 1.2% |
| **Total Qualified Low-Income Community Investments (QLICI)** | **$3.399 B** | **100.0%** | **$59.202 B** | **100.0%** |

# Real Estate and Non-Real Estate Purposes

Based on program activities reported through FY 2020, Allocatees disbursed a total of **$59.2 billion in QEI proceeds to 7,138 QALICBs.** Below is a breakdown of QLICIs by the Purpose reported by Allocatees. **Commercial Real Estate Construction and Rehabilitation** was the most commonly cited Purpose in FY 2020 and for program activities to date.

| NMTC Investments Purposes | FY 2020 | | FY 2003 – FY 2020 | |
|---|---|---|---|---|
| Business and Micro | $0.798 B | 23.5% | $16.321 B | 27.6% |
| Real Estate Commercial, Construction and Rehabilitation | $2.554 B | 75.1% | $41.000 B | 69.3% |
| Real Estate Single & Multi-Family Housing, Construction and Rehabilitation | $0.021 B | 0.6% | $0.823 B | 1.4% |
| Loans to CDEs | $0.005 B | 0.1% | $0.720 B | 1.2% |
| Other | $0.022 B | 0.6% | $0.338 B | 0.6% |
| **Total Qualified Low-Income Community Investments (QLICI)** | **$3.399 B** | **100.0%** | **$59.202 B** | **100.0%** |

# NMTC Investment Outcomes: Square Footage of Commercial Real Estate

Through the FY 2020 reporting period, NMTC financing has been used to construct or rehabilitate over **270 million square feet of commercial real estate**. In FY 2020, NMTC financing helped to create or rehabilitate over **13.8 million square feet of commercial real estate**.

| Types of Commercial Real Estate | FY 2020 | FY 2003 – FY 2020 |
|---|---|---|
| Manufacturing | 8.72 M | 76.98 M |
| Office | 3.69 M | 118.34 M |
| Retail | 1.48 M | 77.13 M |
| **Total New/Rehabilitated Square Feet of Commercial Real Estate** | **13.89 M** | **272.45 M** |

# NMTC Investment Outcomes: Community Facilities

Through FY 2020, about 41% of all QLICIs involved a community facility component, including those that provide services for community education, childcare, healthcare and arts centers. To date, over $24 billion in investments were made in community facility projects.  In FY 2020, over 60% of QLICIs, which totaled more than $2.2 billion, were investments in projects with a community facility component.

| Types of Community Facilities | FY 2020 | | FY 2003 – FY 2020 | |
|---|---|---|---|---|
| All Community Facilities | $2.161 B | 63.6% | $24.34 B | 41.1% |
| Educational Facility | $0.827 B | 24.3% | $11.87 B | 20.0% |
| Arts Facility | $0.129 B | 3.8% | $3.71 B | 6.3% |
| Healthcare Facility | $1.378 B | 40.5% | $10.63 B | 18.0% |
| Childcare Facility | $0.244 B | 7.2% | $2.54 B | 4.3% |
| **Total Qualified Low-Income Community Investments (QLICI)** | **$3.399 B** | **100.0%** | **$59.20 B** | **100.0%** |

# NMTC Investment Outcomes: Affordable Housing Units

Allocatees that invest in the construction or rehabilitation of housing units are required to make at least 20% of the aggregate housing units financed affordable to Low-Income residents. Please see the NMTC Certification, Compliance Monitoring and Evaluation FAQ for the CDFI Fund's definition of affordable housing. Historically, less than 2% of NMTC financing has been used for the construction or rehabilitation of single or multi-family housing. Through the FY 2020 reporting period, approximately 11,000 units of housing that have been created are reported as affordable housing.

| | FY 2020 | FY 2003 – FY 2020 |
|---|---|---|
| Affordable Housing Units: Owner Units | 150 | 7,091 |
| Affordable Housing Units: Rental Units | 1,014 | 11,623 |

# NMTC Investment Outcomes: Job Creation/Retention

The types of job creation/retention outcomes reported by Allocatees to the CDFI Fund include Jobs Actual Created/Retained by business financed, Actual Construction Jobs, Actual Tenant Jobs, Projected Created/Retained by business financed, Projected Construction Jobs and Projected Tenant Jobs. To date, NMTC investments have led to the reported creation or retention of over 600,000 construction jobs and over 300,000 permanent jobs in businesses financed.

| Types of Jobs | FY 2020 | FY 2003 – FY 2020 |
|---|---|---|
| Jobs Created/Retained by Businesses Financed | 12,569 | 336,996 |
| Construction Jobs | 23,575 | 601,124 |
| **Total** | **36,144** | **938,120** |

# NMTC Investment Areas: Higher Distress

Applicants can elect to go beyond the statutory minimum distress requirements of the NMTC Program by committing to serve areas of higher distress in their applications. CDEs can do this in one of two ways: (1) CDEs can invest in areas that meet at least **one of the criteria for Primary indicators of higher distress**; **or** (2) CDEs can invest in areas that meet at least **two of the criteria for Secondary indicators of higher distress**.

One way to meet the primary criteria is by investing in census tracts that meet at least one of the following three "severe distress" criteria: (1) poverty rates of 30% or greater; (2) median family income at or below 60% of applicable area median income; or (3) unemployment rates at least one and a half times the national average.

| Criteria for Higher Distress | FY 2020 | | FY 2003 – FY 2020 | |
|---|---|---|---|---|
| Investments meeting at least one of the primary Severe Distress criteria | $2.574 B | 75.7% | $44.964 B | 76.0% |
| Poverty Rates Greater than 30% | $1.946 B | 57.2% | $27.993 B | 47.3% |
| Median Income Less than or Equal to 60% of Area Median Income | $1.756 B | 51.7% | $31.163 B | 52.6% |
| Unemployment at Least 1.5 Times the National Average | $1.804 B | 53.1% | $32.721 B | 55.3% |
| **Total Qualified Low-Income Community Investments (QLICI)** | **$3.399 B** | **100.0%** | **$59.202 B** | **100.0%** |

# Investment Areas: Non-Metropolitan

Allocatees can also meet the primary criteria for serving areas of higher distress by serving census tracts in rural or Non-Metropolitan Counties. The Tax Relief and Health Care Act of 2006 requires that the NMTC Program direct a proportional amount of investment to Non-Metropolitan Counties. Beginning with the CY 2008 allocation round, the NMTC Program used 20% as the benchmark for ensuring a proportional allocation of QLICIs in Non-Metropolitan areas which approximated the percentage of the U.S. population that resides in Non-Metropolitan Counties.

| | FY 2020 | | FY 2003 – FY 2020 | |
|---|---|---|---|---|
| Non-Metropolitan Census Tract* | $849.6 M | 25.0% | $10.17 B | 17.2% |
| **Total Qualified Low-Income Community Investments (QLICI)** | **$3.399 B** | **100.0%** | **$59.202 B** | **100.0%** |

**Past versions of this report used the self-reported Metro/Non-Metro designations in the TLR. Beginning in this report, the percentage of Non-Metropolitan investments will be based on project locations verified by CDFI staff. Non-Metropolitan designations are based on the Office of Management and Budget's CBSA delineation files released in July 2015.*

# Investment Areas: Targeted Populations

Allocatees can meet the primary criteria for serving areas of higher distress by serving Targeted Populations. Projects can meet this criteria by serving Targeted Populations to the extent that: (1) such projects are at least 50% owned by members of eligible Targeted Populations; (2) at least 40% of the employees are members of eligible Targeted Populations; or (3) at least 50% of the customers are members of eligible Targeted Populations.

| | FY 2020 | | FY 2003 – FY 2020 | |
|---|---|---|---|---|
| Targeted Populations* | $54.61 M | 1.6% | $2.222 B | 3.8% |
| **Total Qualified Low-Income Community Investments (QLICI)** | **$3.399 B** | **100.0%** | **$59.202 B** | **100.0%** |

**IRS Notice 2006-60, 2006-2 C.C. 82* *defines Targeted Population as individuals or an identifiable group of individuals, including an Indian tribe, who are Low-Income Persons or otherwise lack adequate access to loans or equity investments.*

# Investment Areas: Other Federal, State, Regional and Locally Designated Areas of Higher Distress

The vast majority of NMTC investments meet the primary criteria for investments in areas of higher distress. For the fraction of investments that do not meet the primary criteria, Allocatees can still meet their commitment to serving areas of higher distress by investing in projects that satisfy at least two of the secondary criteria below.

| Other Investment Areas of Higher Distress | FY 2020 | FY 2003 – FY 2020 |
|---|---|---|
| SBA Designated HUB Zone | 7.3% | 17.1% |
| Medically Underserved Area | 19.4% | 16.7% |
| Brownfield Redevelopment Area | 11.1% | 11.4% |
| FEMA or Major Disaster Declaration Areas | 21.9% | 10.7% |
| Food Desert | 13.7% | 7.2% |
| Appalachian Regional Commission or Delta Regional Authority | 4.5% | 6.2% |
| Designated Native American or Alaska Native Area, Hawaiian Homeland, or Redevelopment Area by Tribe or Other Authority | 3.4% | 2.2% |
| Encompassed by HOPE VI Redevelopment Plan | 0.0% | 0.9% |
| Colonias | 0.0% | 0.2% |
| **Total Qualified Low-Income Community Investments (QLICI)** | **100.0%** | **100.0%** |

# Flexible or Non-Traditional Rates and Terms

The CDFI Fund requires Allocatees to offer financing with flexible or non-traditional rates and terms to Low-Income communities. Allocatees can meet this requirement in one of three ways: (1) by offering equity or equity equivalent financing; (2) by offering debt with interest rates that are a pre-specified percentage below either prevailing market rates or the Allocatees current offerings; or (3) by satisfying a designated number of criteria from a CDFI Fund defined list of criteria (these criteria are provided on slide 17).

| | FY 2020 | FY 2003 – FY 2020 |
|---|---|---|
| Equity or equity-equivalent financing | 8.1% | 8.6% |
| **Total Qualified Low-Income Community Investments (QLICI)** | **100.0%** | **100.0%** |

# Flexible or Non-Traditional Rates and Terms Cont.

Allocatees can meet the requirement for offering financing with flexible or non-traditional rates and terms by satisfying a designated number of criteria (specified in their Allocation Agreements) from the list of criteria below. Through FY 2020, 96% of QLICIs met at least two of the criteria for flexible or non-traditional rates and terms. In FY 2020 alone, over 99% of QLICIs met at least two of the criteria.

| Flexible Rates and Terms | FY 2020 | FY 2003 – FY 2020 |
|---|---|---|
| Satisfies at least 2 of the criteria for flexible or non-traditional rates and terms | 99.5% | 96.7% |
| Below market interest rates | 99.0% | 93.0% |
| Lower than standard origination fees | 93.3% | 86.3% |
| A longer than standard period of interest only loan payments | 97.0% | 89.2% |
| **Total Qualified Low-Income Community Investments (QLICI)** | **100.0%** | **100.0%** |

# Flexible or Non-Traditional Rates and Terms Cont.

Below are additional categories of flexible or non-traditional rates and terms.

| Flexible Rates and Terms | FY 2020 | FY 2003 – FY 2020 |
|---|---|---|
| Higher than standard loan to value ratio | 71.3% | 69.4% |
| More flexible borrower credit standards | 67.4% | 54.5% |
| A longer than standard amortization period | 72.4% | 57.7% |
| Lower than standard debt service coverage ratio | 54.1% | 48.4% |
| Subordinated Debt | 25.2% | 30.8% |
| Nontraditional forms of collateral | 27.7% | 17.1% |
| **Total Qualified Low-Income Community Investments (QLICI)** | **100.0%** | **100.0%** |

# Innovative Investments: Unrelated CDEs

Innovative Investments are a set of investment activities defined by the CDFI Fund as innovative uses of NMTC financing. Applicants can choose to commit to investing a percentage of their Allocation in one or more Innovative Investments activities. Any subsequent Allocation Agreement may require the Allocatee to commit a percentage of the Allocation in an Innovative Investment.

Innovative Investment (1): Investing in *Unrelated CDEs* that do not have NMTC Allocations. Through FY 2020, 1.5% of total QLICIs were loans to unrelated CDEs. In FY 2020, 0.1% of QLICIs were loans to unrelated CDEs.

| | FY 2020 | | FY 2003 – FY 2020 | |
|---|---|---|---|---|
| Loans to CDEs | $4.703 M | 0.1% | $0.778 B | 1.3% |
| **Total Qualified Low-Income Community Investments (QLICI)** | $3.399 B | **100.0%** | $59.202 B | **100.0%** |

# Innovative Investments: Small-Dollar Transactions

Innovative Investment (2): Providing QLICIs where the total QLICIs received by the QALICB are $4 million or less. Through FY 2020, nearly 45% of QALICBs received QLICI amounts of $4 M or less. In FY 2020, nearly 40% of QALICBs received QLICI amounts of $4 M or less.

| | FY 2020 | | FY 2003 – FY 2020 | |
|---|---|---|---|---|
| Number of QALICBs Receiving QLICIs of $4 M or Less | 155 | 38.4% | 3,217 | 44.9% |
| **Total Number of QALICBs Receiving QLICIs** | **404** | **100.0%** | **7,160** | **100.0%** |

# Innovative Investments: Shorter-Term Loans

Innovative Investment (3): Making QLICIs with an original term less than or equal to 60 months. Through FY 2020, 8.6% of QLICIs were for terms of 60 months or less. In FY 2020, the percentage of short-term loans was 64%.

| Transaction Type | FY 2020 | | FY 2003 – FY 2020 | |
|---|---|---|---|---|
| Term Loans (Greater than 60 Months) | 1,031 | 93.6% | 16,107 | 91.4% |
| Shorter-Term Loans (60 Months or Less) | 70 | 6.4% | 1,519 | 8.6% |
| **Total Number of QLICIs** | **1,101** | **100.0%** | **17,626** | **100.0%** |

# Innovative Investments: Non-Real Estate Activities

Innovative Investment (4): Providing QLICIs for non-real estate activities, such as working capital, inventory or equipment purchase. Through FY 2020, 23.1% of QLICIs have been for non-real estate activities. In FY 2020, 17.6% of QLICIs were for non-real estate purposes.

| | FY 2020 | | FY 2003 – FY 2020 | |
|---|---|---|---|---|
| Business, Micro and Other | $0.600 B | 17.6% | $13.701 B | 23.1% |
| **Total Qualified Low-Income Community Investments (QLICI)** | $3.399 B | 100.0% | $59.202 B | 100.0% |

# Innovative Investments: Federal Native Areas

Innovative Investment (5): Investing in Federal Indian Reservations, Off-Reservation Trust Lands, Hawaiian Home Lands, and Alaska Native Village Statistical Areas. Through FY 2020, about $925 million in NMTC investments were located in Federal Native Areas.

| | FY 2020 | | FY 2003 – FY 2020 | |
|---|---|---|---|---|
| Federal Native Areas* | $99.46 M | 2.9% | $925.4 M | 1.6% |
| **Total Qualified Low-Income Community Investments (QLICI)** | $3.399 B | 100.0% | $59.202 B | 100.0% |

**The above figures are based on project locations verified by CDFI staff. A similar category,* Designated Native American or Alaska Native Area, Hawaiian Homeland, or Redevelopment Area by Tribe or Other Authority, *is also collected as one of the Areas of Higher Distress.*

# NMTC Program Terms and Definitions

- **Community Development Entity (CDE):** A financial intermediary certified by the CDFI Fund that may apply to receive an Allocation Award of New Markets Tax Credits (NMTC) to make qualified low-income community investments.
- **Innovative Investments:** Innovative Investments are a set of investment activities defined by the CDFI Fund as innovative uses of NMTC financing. Applicants may choose to commit part of investment to one or more Innovative Investment.
- **Low-Income Community (LIC):** In the NMTC context, this refers to an NMTC-qualified census tract that meets certain criteria based on poverty rates, unemployment, and median household income.
- **New Markets Tax Credit Project (NMTC Project):** A CDFI Fund term used to identify groups of QLICIs invested toward a common target or objective (e.g. a group of QLICIs sharing the same project address).
- **North American Industry Classification System (NAICS):** The North American Industry Classification System (NAICS) is the standard used by federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. NAICS categories are used in this summary report to classify the types of businesses where NMTC investments are used.
- **Qualified Equity Investment (QEI):** An equity investment made into an eligible CDE that generates New Markets Tax Credits for the investor equal to 39% of the investment over a seven-year period.
- **Qualified Active Low-Income Community Business (QALICB):** A nonprofit or for-profit entity in an NMTC-eligible census tract that receives an investment from a CDE through the NMTC Program.
- **Qualified Low-Income Community Investments (QLICI):** Generally, any investment from a CDE into a QALICB that uses and complies with the NMTC Allocation Award and Section 45D of the IRS Code.

# NMTC Data Correction and Future Updates

All transaction level data represented in the preceding slides is taken from the Transaction Level Report (TLR) submitted by CDE Allocatees.  This data has not been independently validated and may contain errors.

With the publication of this report, Allocatees may identify updates or corrections related to the data published in the summary report and the related data file (NMTC Public Data Release: 2003-2020 Data File). In such cases, the CDEs may submit their inquiries through a service request in AMIS. In your service request, please provide the Originator Transaction ID, Project Number, Project Address and Project FIPS for the data records you wish to modify. Submit the service request to the FS&R queue. The CDFI Fund will incorporate updates to future NMTC public data releases.