



Novogradac 2018

# New Markets Tax Credit Spring Conference



# Current Issues for CDE's

## MODERATOR

**Tom Fantin**  
Novogradac &  
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## PANELISTS

**Debra Stump**  
Duff and Phelps LLC

**Avram Fechter**  
EquityPlus LLC

**Terra Neilson**  
U.S. Bancorp Community  
Development Corporation

**Jason Maus**  
Stinson Leonard Street

# Issues Facing CDEs: Overview

- EquityPlus provides owner's representation services to banks, nonprofits, and for-profit developers who wish to either raise or deploy tax credit equity, market and below-market debt into or for community development and affordable housing projects across the country. EquityPlus works with 3 allocatees in helping them obtain, deploy, and manage NMTC Allocations.
- Three topics:
  - Assessing/Measuring Community Impact
  - Working in rapidly gentrifying cities
  - Assessing subsidy need

# Issues Facing CDEs: Challenge of Gentrifying Cities

- NMTC eligible census tracts are a moving target
- Lots of low-income people living in non-NMTC eligible census tracts still need goods/services
- Maintaining affordability for existing residents is important but hard to quantify/measure in through a NMTC lense

# Issues Facing CDEs: Assessing/Measuring Community Impact

- “I can’t define it, but I know it when I see it,” Justice Potter Stewart.
- **Economic impact** — level of economic activity in a given area.
  - Jobs (construction / permanent / direct / indirect) — quality v. accessible
  - Wealth creation (either through rental savings/homeownership/job training)
  - Business output
  - Tax revenue generated
- **Community Impact** — addressing identified community needs.
  - Increased high school graduation rates (charter school / early childhood education / afterschool programming)
  - Eliminating blight (neighborhood redevelopment project)
  - Lower recidivism rates (jail)
  - Lives saved (emergency room care)

# Issues Facing CDEs: Assessing Subsidy Need -- the 4 Questions

- Are the costs in the business plan/development budget reasonable?
- Has the sponsor maximized the amount of market rate debt it can raise?
- What would the return be for a conventional equity investor to fill the remaining gap?
- Is the sponsor a nonprofit?

# Issues Facing CDEs:

- Small-dollar QLICs
- C-Corporation Elections
- Developer Fees
- Reimbursements
- Balancing Enhanced Impact Reporting with Overwhelming QALICBs
- Integrating Internal Impact Strategy Into Process

# Issues Facing CDEs:

- **Planning for Pipeline Before Allocation is Awarded**
- **CDE Activities When Allocation Hasn't Been Awarded For Several Rounds**
- **Defining and Measuring “But For” In Practice**
  - Guidelines and Suggestions Around Collecting Evidence
- **CDFI Fund Compliance**



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