



## **New Markets Tax Credit Public Data Release: 2003-2012 Summary Report**

Date: July 24, 2014

The U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) today released data collected on New Markets Tax Credit (NMTC) investments across the nation through fiscal year (FY) 2012<sup>1</sup>. The CDFI Fund requires all Community Development Entities (CDEs) that have been awarded NMTC allocations to submit an annual report detailing how they invested Qualified Equity Investment (QEI) proceeds in low-income communities. These reports must be submitted to the CDFI Fund by the CDEs, along with their audited financial statements, within six months after the end of their fiscal years.

The NMTC Program enables economically distressed communities to leverage private investment capital by providing investors with a federal tax credit. All NMTC investments must meet statutory qualifications for their investors to be able to claim the tax credit. The vast majority of NMTCs are made within statutorily defined "Low-Income Communities." Low-Income Communities are census tracts with a poverty rate of 20 percent or greater, or a median family income at or below 80 percent of the applicable area median family income. In addition to investments located in Low-Income Communities, investments can qualify for NMTCs by using other statutory provisions designed to target certain areas or populations, including provisions for High-Migration Rural Counties, Low-Income Targeted Populations, and Gulf Opportunity Zone Targeted Populations.

Since the NMTC Program's inception, the CDFI Fund has made 836 awards allocating a total of \$40 billion in tax credit authority to CDEs through a competitive application process. This \$40 billion 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.

CDEs are required to report their NMTC investments in the CDFI Fund's Community Investment Impact System (CIIS) for a period of seven years. Due to a time lag in reporting, NMTC investments reported in CIIS are less than the total amount allocated for the NMTC Program.

### **UNDERSTANDING THE CUMULATIVE NMTC FY 2012 DATA RELEASE**

The cumulative FY 2012 NMTC data release is presented in two different formats: (1) NMTC transaction level data and (2) NMTC project level data. The transaction level data shows each investment or financial note that was associated with a real estate-related or operating business. The project level data shows the total NMTC investment received by each business. A business may be the recipient of more than one financial note as part of the same financing package. For example, the CDE may offer a business two financial notes: one that is structured as senior debt for \$1 million and another that is

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<sup>1</sup> The data represented was submitted by allocatees prior to September 30, 2013. Allocatees are given an additional 6 months after the end of their fiscal year to submit their annual report to the Fund, therefore the data submitted by September 30, 2013 represents substantially all reporting for FY 2012.



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structured as subordinate debt for \$500,000. In this case, there would be two records in the transaction level data (one for the \$1,000,000 note and one for the \$500,000 note) and one in the project level data (showing a total \$1,500,000 in NMTC financing received by the business). The FY 2012 NMTC data shows 8,060 financial notes (or investments) made to 3,849 businesses.

**WHEN WERE INVESTMENTS MADE?<sup>2</sup>**

NMTC investments have been reported from FY 2003 through FY 2012. The amount of each year’s NMTC allocation authority has a direct impact on the amount of yearly investments.

<b>Fiscal Year</b>	<b>Amount of Investment</b>	<b>Percent of Total Investment</b>	<b>Number of QALICBs</b>	<b>Number of Financial Note Transactions</b>
2003	\$97,427,013	0.3	18	23
2004	\$772,642,892	2.5	171	278
2005	\$2,064,290,573	6.6	331	589
2006	\$3,118,148,176	10.0	509	846
2007	\$3,818,536,302	12.3	585	1,140
2008	\$3,179,458,287	10.2	476	916
2009	\$3,567,716,306	11.5	462	910
2010	\$4,872,710,806	15.7	428	1,038
2011	\$5,221,906,293	16.8	432	1,212
2012	\$4,404,920,805	14.2	437	1,108
<b>Total</b>	<b>\$31,117,757,451</b>	<b>100.0</b>	<b>3,849</b>	<b>8,060</b>

**WHAT TYPES OF BUSINESSES RECEIVED NMTC INVESTMENTS?**

Through the FY 2012 reporting period, CDEs disbursed a total of \$31,117,757,451 in QEI proceeds to 3,849 Qualified Active Low-Income Community Businesses (QALICBs) –investing in both real estate development activities and operating businesses in low-income communities.

- 1,731 QALICBs (45.0 percent) were Real Estate QALICBs, where the principal activity is the development or leasing of real estate. These QALICBs received \$16,365,476,954 in NMTC investments (52.6 percent).

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<sup>2</sup> The fiscal year selected for NMTC transactions and projects is the earliest year reported in CIIS for a project. Careful readers of the NMTC Public Data Release will note that this year’s table representing investments by fiscal year has some differences in the way investment amounts are attributed to each year as compared to the FY 2011 table. These differences are due to the regrouping of financial notes into projects based on careful analysis by CDFI Fund staff in 2013.



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- 2,052 QALICBs (53.3 percent) were Non-Real Estate QALICBs, or operating businesses. These businesses received \$14,047,522,137 in NMTC investments (45.1 percent).
- 66 QALICBs (1.7 percent) were the beneficiaries of loans or investments made by CDEs through other unrelated CDEs without allocations. These investments totaled \$704,758,361 (2.3 percent).

### WHAT WERE THE PURPOSES OF INVESTMENT?

The 8,060 NMTC investments (or transactions) made through FY 2012 can be broadly categorized into three purposes including real estate development, operating business, and other. See table below for the more detailed purpose categories and investments.

- 4,670 (57.9 percent) of the total number of NMTC investments, in the amount of \$20,315,818,262<sup>3</sup> (65.3 percent), were in real estate development and leasing activities.
- 3,234 (40.1 percent) of the total number of NMTC investments in the amount of \$10,224,240,295 (32.9 percent) were in operating businesses. A small fraction of investments in operating businesses, totaling \$398,684, were in microenterprises.
- 156 (1.9 percent) of the total number of NMTC investments in the amount of \$577,698,894 (1.9 percent) were investments in other financing purposes.

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<sup>3</sup> Both real estate and non-real estate type businesses may direct their investments toward real estate purposes. Out of the \$20,315,818,262 in investments for real estate purposes, \$3,962,297,170 (19.5 percent) were made by non-real estate or operating businesses.



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<b>Purpose of Investment</b>	<b>Amount of Investment</b>	<b>Percent of Total QLICs</b>	<b>Number of QLICs</b>	<b>Percent of Total Investment</b>
Operating Business	\$10,223,841,611	32.9	3,210	39.8
Microenterprise	\$398,684	0.0	24	0.3
Other financing purpose	\$577,698,894	1.9	156	1.9
Real Estate –Construction/Permanent/ Acquisition w/o Rehab –Commercial	\$10,932,412,087	35.1	2,330	28.9
Real Estate – Construction– Housing- Multi Family	\$139,980,571	0.5	43	0.5
Real Estate – Construction – Housing -Single Family	\$326,474,864	1.0	107	1.3
Real Estate – Rehabilitation–Housing – Single Family	\$46,687,328	0.2	17	0.2
Real Estate – Rehabilitation–Housing - Multi Family	\$64,672,204	0.2	24	0.3
Real Estate–Rehabilitation– Commercial	\$8,805,591,207	28.3	2,149	26.7
<b>Total</b>	<b>\$31,117,757,451</b>	<b>100.0</b>	<b>8,060</b>	<b>100.0</b>

**WHERE WERE INVESTMENTS MADE?**

*Areas of Higher Distress*

Through the NMTC competitive allocation award process, CDEs who commit to directing a significant percentage of their NMTC investments to CDFI Fund-designated areas of higher distress score better. A comprehensive list of areas of higher distress appears in the Allocation Application. For the latest allocation round for CY 2013, all 87 of the allocatees indicated that they would devote at least 75 percent of their investments to areas of higher distress.

One way CDEs can meet their commitment to areas of higher distress is by investing in census tracts that meet at least one of the following three “severe distress” criteria: (1) poverty rates of 30 percent or greater, (2) median family income at or below 60 percent of applicable area median income, or (3) unemployment rates at least 1.5 times the national average.

- 2,799 (72.7 percent) of projects, in the amount of \$22,850,568,764 (76.4 percent), were, at least partly, located in census tracts that met one of the three indicators of “severe distress.”
- 926 (24.1 percent) of projects, in the amount of \$7,699,232,125 (24.7 percent), were, at least partly, located in census tracts that met all three indicators of “severe distress.”



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*Non-Metropolitan Counties*

As part of the Tax Relief and Health Care Act of 2006, Congress required that the New Markets Tax Credit Program direct a proportional amount of investment to non-metropolitan counties. Beginning with the CY 2008 allocation round, the NMTC Program used 20 percent as the appropriate benchmark for ensuring a proportional allocation of QLICIs in non-metropolitan areas which approximated the percentage of the U.S. population that CDFI Fund data indicated resided in non-metropolitan counties. A 2012 GAO Report indicated that the NMTC Program generally met its proportionality goals with regards to non-metropolitan counties.<sup>4</sup>

In 2012, CDEs made 1,103 NMTC investments totaling \$4,359,940,330. These investments were located in both metropolitan and non-metropolitan counties:

- 871 QLICIs (79.0 percent) were directed to metropolitan areas. These QLICIs provided \$3,330,157,155 in NMTC investments (76.4 percent).
- 226 QLICIs (20.5 percent) were directed to non-metropolitan areas. These QLICIs provided \$1,008,821,208 in NMTC investments (23.1 percent).
- 6 QLICIs (less than 1.0 percent) were directed to multi-census tract projects that spanned both metropolitan and non-metropolitan areas. These QLICIs provided \$20,961,967 in NMTC investments (less than 1.0 percent).

Since the inception of the program, the New Markets Tax Credit has directed \$4,171,334,478 in investments to non-metropolitan areas and supported 638 businesses in those areas.

<b>Metro/ Non-Metro</b>	<b>Amount of Investment</b>	<b>Percent of Total Investment</b>	<b>Number of QALICBs</b>	<b>Percent of Total QALICBs</b>
Metro	\$26,528,645,011	85.3	3,195	83.0
Non-Metro	\$4,171,334,478	13.4	638	16.6
Both	\$417,777,963	1.3	16	0.4
<b>Total</b>	<b>\$31,117,757,451</b>	<b>100.0</b>	<b>3,849</b>	<b>100.0</b>

**MULTI-CDE INVESTMENTS**

In August 2012, the CDFI Fund implemented new reporting requirements for NMTC projects involving multiple CDEs. The new guidelines require that either a “Lead CDE” be designated to serve as a single point of contact for the CDFI Fund or participating CDEs develop a coordinated approach for reporting to the CDFI Fund. These new measures were adopted to address the potential for double-counting or under-

<sup>4</sup>GAO, *Community Development Financial Institutions and New Markets Tax Credit Programs in Metropolitan and Nonmetropolitan Areas*, [GAO-12-547R](#) (Washington, D.C., Apr 26, 2012).



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counting project outcomes and to help the CDFI Fund better understand the outcomes of NMTC projects by receiving more reliable information.<sup>5</sup>

In preparing the FY 2012 CIIS<sup>6</sup> data for public release, the CDFI Fund attempted to identify multi-CDE investments within the current data. Based on the cleaning process outlined below, the CDFI Fund estimates that out of the 3,849 NMTC projects, 3,360 have a single CDE and 489 have multiple CDEs.

### MULTI-CENSUS TRACT INVESTMENTS

The CDFI fund has made an effort to identify NMTC transactions and projects that span multiple addresses and census tracts. The census tract fields for these transactions, which did not allow for disclosure of all related census tracts, are identified as such in the NMTC data release. Multi-tract projects include investments in telecommunications infrastructure in vast areas of rural Alaska and low-income housing projects in areas affected by Hurricane Katrina in Louisiana and Mississippi. The CDFI Fund estimates that out of 3,849 NMTC projects, 186 are multi-tract projects.<sup>7</sup>

### DEFINITION OF AN NMTC PROJECT

To simplify the issue of multiple CDEs investing in a single project, the CDFI Fund spent several months analyzing the NMTC Transaction Level Report (TLR) data to manually group certain investments into a single “project.” Generally, multiple CDE investments may be associated with the same project for two reasons. Either the project is funded by the same CDE financial note, or it is funded by multiple financial notes in an identical address with identical or similar project characteristics. The following project characteristics were used to group NMTC financial note transactions into projects:

- A similar or identical address for single-address projects or a similar or identical group of addresses for multi-tract projects
- An identical Total Project Cost
- An identical Project Number
- An identical Organization Number (for single-CDE projects)
- An identical Multi-CDE number (for multi-CDE projects)

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<sup>5</sup>The General Accountability Office (GAO) noted that multiple CDEs may provide financing for a single project (see GAO, *New Markets Tax Credit: The credit Helps Fund a Variety of Projects in Low-Income Communities, but Could Be Simplified*, [GAO-10-334](#) (Washington, D.C., Jan 29, 2010)). GAO recommended that the CDFI Fund continue improving strategies for collecting NMTC project-level data that clearly identify the potential outcomes of each project without the potential for double-counting the outcomes of some projects or undercounting the outcomes of others.

<sup>6</sup> CIIS data is self-reported and outliers and data entry errors are subject to verification and cleansing by the CDFI Fund.

<sup>7</sup> The CDFI Fund is reviewing all multi-tract projects to ensure consistent reporting of project characteristics.



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- A similar or identical business description

Where multiple investments were grouped into a single project, the sum of all QLICs (Original Amount) must remain less than the Total Project Cost. If multiple values exist for the total project cost, the highest value is selected as the default Total Project Cost.

The 2012 NMTC project level data was produced using the analytic techniques described above for identifying multi-CDE projects based on self-reported data from CDEs. With the publication of this report, CDEs and other allocatees may identify updates or corrections related to the multi-CDE project information reported, particularly the linkages of transactions to projects. In such cases the CDEs may contact the CDFI Fund's Financial Strategies & Research department at [CDFI-FinancialStrategiesandResearch@cdfi.treas.gov](mailto:CDFI-FinancialStrategiesandResearch@cdfi.treas.gov). Please provide the Originator Transaction ID, Project Number, Project Address and Project FIPS for the data records you wish to modify. The CDFI Fund will incorporate such information in future NMTC public data releases. Please do not attempt to make such corrections in the CIIS TLR unless instructed to do so through guidance published by the CDFI Fund.