SPECIAL REPORT
NEW MARKETS TAX CREDIT
A Big Deal for Rural America

2003-2014

nmtccoalition.org/rural

A special report on the impact of NMTC investments in rural communities.
Rapoza Associates prepared this report for the New Markets Tax Credit Coalition.

The New Markets Tax Credit (NMTC) Coalition is a national membership organization that advocates on behalf of the NMTC program. The Coalition, which now includes more than 150 members, is managed by Rapoza Associates, a public interest lobbying, policy analysis and government relations firm located in Washington, DC. Paul Anderson is the principal author and designer of this report.

NEW MARKETS TAX CREDIT COALITION

1331 G Street, NW, 10th Floor • Washington, DC 20005
(202) 393-5225 • (202) 393-3034 fax • www.nmtccoalition.org • @nmtccoalition

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Cover image: GS Precision in Brattleboro, Vermont.

NEW MARKETS TAX CREDIT

A Big Deal for Rural America

July 2017, New Markets Tax Credit Coalition

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THE NMTC: A BIG DEAL FOR RURAL AMERICA

Supporting a Changing Rural Economy

RURAL GETS ITS SHARE

In the New Markets Tax Credit Coalition’s 2006 NMTC Progress Report, we asked “What about Rural?” and described the initial concerns surrounding the New Markets Tax Credit (NMTC)’s ability to deliver capital to eligible rural communities. Since we first posed the question in 2006, there is evidence that the NMTC has a unique capacity to overcome these barriers and deliver capital to some of the country’s most distressed rural communities. The Credit has made a significant impact in rural America, creating tens of thousands of jobs, financing over 800 businesses and facilities, and boosting local economies.

NMTC STATUTE AMENDED TO TARGET NON-METROPOLITAN COUNTIES

In 2006, Congress enacted The Tax Relief and Health Care Act of 2006 (PL. 109-432), which amended the NMTC statute to ensure that non-metropolitan communities were allocated a proportional share of QLICIs. The CDFI Fund defined “non-metropolitan counties” as those counties that are not contained within a Metropolitan Statistical Area, according to the most recent census. There is evidence that the 2006 provision started a trend toward more investment in rural communities, as investment in non-metro counties has picked up in recent years, hitting 27.3 percent in 2014. This percentage is much higher than the overall rural share of the population, which varies depending on the definition, but is pegged at 20 percent by the CDFI Fund.

DISPARITIES IN ACCESS TO CAPITAL

Rural economies in particular present unique obstacles to revitalization, including a lack of economic diversity and investors, the limited availability of credit, the seasonal nature of employment, and geographic isolation.

The decade’s long trend of community bank closure and consolidation has hit rural areas particularly hard, as most community banks are located in these communities. The number of community banks in the United States has declined by an average of 300 per year over the past 30 years, according to data from the Federal Deposit Insurance Corporation. A 2013 analysis by the Federal Financial Institutions Examination Council found that while rural low-income census tracts include about 6 percent of the population and about 6 percent of the businesses, they received less than 5 percent of small business loans in 2012.

Non-metropolitan poverty rates have traditionally been higher than metro poverty rates, (see chart to right). Educational attainment also lags behind urban areas.

Meanwhile, a collapse of agricultural commodity prices has added stress on many small farming communities.

THE NEED FOR CAPITAL IN RURAL AMERICA

Gross cash farm income components, inflation adjusted, 2000-2017F

$ billion (constant 2009)

Note: * = Forecast. Values are adjusted for inflation using the chain-type GDP deflator.
2000=100.
Data as of February 7, 2017.
THE NMTC: A BIG DEAL FOR RURAL AMERICA
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FINANCING RURAL HEALTHCARE FACILITIES

Rural residents have higher rates of age-adjusted mortality, disability, and chronic disease than their urban counterparts, and they also have less access to doctors and healthcare providers. According to research by the Stanford University, despite rural communities accounting for about 20 percent of America’s population, less than 10 percent of physicians practice in these communities.

The NMTC has helped rural communities increase healthcare access, financing 107 rural healthcare facilities or clinics, totaling nearly $800 million in project costs between 2003 and 2014. Examples of these projects include the Speare Memorial Hospital in the medically under-served community of Plymouth, New Hampshire, and the Delta Memorial Hospital in Dumas, Arkansas. Eleven percent of rural NMTC projects involved healthcare facilities.

FINANCING RURAL MANUFACTURING BUSINESSES

Over the past several decades, liberalization of trade agreements, automation, and changing trade patterns, turned the once thriving rural industrial economy to ruin.

For example, the off-shoring of textile industry jobs disproportionately impacted rural America, according to data from the U.S. Department of Agriculture’s Economic Research Service. Between 1994 and 2005, America lost 900,000 textile and apparel manufacturing jobs.

The NMTC has helped many rural communities create or retain manufacturing jobs by providing financing to manufacturers for new facilities and equipment, like St. Croix Tissue, Inc., in Baileysville, ME (below). Between 2003 and 2014, the Credit delivered over $4.8 billion in total project financing to 223 rural manufacturing projects. Twenty-seven percent of NMTC projects in rural communities involve manufacturing.

RURAL IMPACT BY THE NUMBERS 2003-2014

- 817 businesses, community facilities, and other important revitalization projects financed.
- $6.15 billion in NMTC allocation generated $11.6 billion in total project costs.
- NMTC projects generated 49,940 full-time jobs and 21,706 construction jobs.

NON-METRO PROJECTS BY INDUSTRY (2003-2014)

<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th>NUMBER OF PROJECTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts, Museums &amp; Culture</td>
<td>24</td>
</tr>
<tr>
<td>Community Services</td>
<td>63</td>
</tr>
<tr>
<td>Education</td>
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<td>Energy &amp; Utilities</td>
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<td>Financial services</td>
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<tr>
<td>Healthcare</td>
<td>109</td>
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<tr>
<td>Hotels &amp; Tourism</td>
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<tr>
<td>Housing</td>
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<tr>
<td>Manufacturing &amp; Industrial</td>
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<tr>
<td>Mixed-Use</td>
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<tr>
<td>Other Commercial Real Estate</td>
<td>45</td>
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<tr>
<td>Retail, Restaurants &amp; Service Sector</td>
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<td>Science, Research &amp; Technology</td>
<td>10</td>
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<tr>
<td>Timber, Forestry &amp; Parks</td>
<td>33</td>
</tr>
<tr>
<td>Transportation &amp; Warehousing</td>
<td>20</td>
</tr>
</tbody>
</table>
RURAL SUCCESS STORIES

Click the images below to learn more.

Alabama Revolving Loan Fund, Rural Alabama

Premium Peanut, Douglas, GA

Hemming Cedars, Rexburg, ID

Atchison YMCA, Atchison, KS

Pikeville College School of Osteopathic Medicine, Pikeville, KY

Kalamazoo Health Focused Campus, Kalamazoo, MI

Mississippi Silicon, Burnsville, MS

Winston Medical Center, Louisville, MS

Great Falls Rescue Mission, Great Falls, MT

Minnewaukan Public School, Minnewaukan, ND

Fry Foods, Ontario, OR

Yellow Freight aka Mr. Rogers Neighborhood, West Allis, WI

Monogram Food Solutions, Martinsville, VA
An annual snapshot of the New Markets Tax Credit Program