



## **New Markets Tax Credit Public Data Release: 2003-2011 Summary Report**

Date: July 2, 2013

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) 2011<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 NMTC 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 749 awards allocating a total of \$36.5 billion in tax credit authority to CDEs through a competitive application process. This \$36.5 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 2011 DATA RELEASE**

The cumulative FY 2011 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 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

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<sup>1</sup> The data represented was submitted by allocatees prior to September 30, 2011.



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(showing a total \$1,500,000 in NMTC financing received by the business). The FY 2011 NMTC data shows 6,812 financial notes (or investments) made to 3,499 businesses.

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

Through the FY 2011 reporting period, CDEs disbursed a total of \$26,430,533,201 in QEI proceeds to 3,499 Qualified Active Low-Income Community Businesses (QALICBs) –investing in both real estate development activities and operating businesses in low-income communities.

- 1,647 QALICBs (47.1 percent of total) were “real estate QALICBs,” where the principal activity is the development or leasing of real estate. These real estate QALICBs received \$15,133,063,302 in NMTC investments (57.3 percent of total).
- 1,781 QALICBs (50.9 percent of total) were “non-real estate QALICBs,” or operating businesses. These businesses received \$10,655,133,412 in NMTC investments (40.3 percent of total).
- 71 QALICBs (2.0 percent of total) were the beneficiaries of loans or investments made by CDEs through other unrelated CDEs without allocations. These investments totaled \$642,336,487 (2.4 percent of total).

### **WHAT TYPES OF INVESTMENTS WERE MADE?**

The 6,812 NMTC investments (or transactions) made through FY 2011 can be broadly categorized into nine types including small businesses, real-estate construction, and real-estate rehabilitation.

- 3,990 (58.6 percent of total) Qualified Low-Income Community Investments (QLICIs), in the amount of \$17,675,329,192 (66.9 percent of total), in real estate development and leasing activities.
- 2,637 (38.7 percent of total) QLICIs in the amount of \$8,037,605,335 (30.4 percent of total) in businesses.
- 185 (2.7 percent of total) QLICIs in the amount of \$717,598,673 (2.7 percent of total) were used to finance investments in other CDEs.



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<b>Purpose of Investment</b>	<b>Amount of Investment</b>	<b>Percentage of Total Investment</b>	<b>Number of QLICIs</b>	<b>Percentage of Total QLICIs</b>
Business Finance	\$8,037,307,135	30.4	2,617	38.4
Microenterprise Finance	\$298,200	0	20	0.3
Other financing purpose	\$717,598,673	2.7	185	2.7
Real Estate – Construction/Permanent/ Acquisition w/o Rehab – Commercial	\$9,374,317,006	35.5	1,917	28.1
Real Estate – Construction–Housing-Multi Family	\$72,433,268	0.3	36	0.5
Real Estate – Construction – Housing -Single Family	\$277,746,010	1.1	92	1.4
Real Estate – Rehabilitation–Housing – Single Family	\$19,524,828	0.1	13	0.2
Real Estate – Rehabilitation–Housing - Multi Family	\$66,028,464	0.2	25	0.4
Real Estate–Rehabilitation–Commercial	\$7,865,279,616	29.8	1,907	28
<b>Total</b>	<b>\$26,430,533,201</b>	<b>100</b>	<b>6,812</b>	<b>100</b>

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

*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. In the calendar year (CY) 2012 Allocation round, all 85 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.

- 5,147 (75.5 percent of total) QLICIs, in the amount of \$20,127,530,608 (76.2 percent of total), were located in census tracts that met one of the three indicators of “severe distress.”
- 1,909 (28.0 percent of total) QLICIs, in the amount of \$7,579,548,014 (28.7 percent of total), were located in census tracts that met all three indicators of “severe distress.”

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<sup>2</sup> The CDFI Fund is reviewing the geocoding of 3 percent of the transactions reported by allocatees.



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***Non-Metropolitan Counties***

As a 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 2008 allocation round, the NMTC Program used 20 percent as the appropriate benchmark for ensuring a proportional allocation of QLICs 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>3</sup>

In 2011 alone, CDEs made 1,441 NMTC investments totaling \$6,297,556,218. These investments were located in both metropolitan and non-metropolitan counties:

- 1,168 QLICs (81.1 percent of total) were directed to metropolitan areas. These QLICs provided \$5,073,023,306 in NMTC investments (80.6 percent of total).
- 269 QLICs (18.6 percent of total) were directed to non-metropolitan areas. These QLICs provided \$1,171,778,328 in NMTC investments (18.6 percent of the total).
- 4 QLICs (less than 1.0 percent of total) were directed to multi-census tract projects that spanned both metropolitan and non-metropolitan areas. These QLICs provided \$52,754,585 in NMTC investments (less than 1.0 percent of total).

Since the inception of the program, the New Markets Tax Credit has directed \$3,507,048,958 in investments to non-metropolitan areas and supported over 600 businesses in those areas.

<b>Metro/ Non-Metro</b>	<b>Amount of Investment</b>	<b>Percentage of Total Investment</b>	<b>Number of QALICBs</b>	<b>Percentage of Total QALICBs</b>
Metro	\$22,737,239,944	86.0	2,890	82.6
Non-Metro	\$3,507,048,985	13.3	601	17.2
Both	\$186,244,272	0.7	8	0.2
<b>Total</b>	<b>\$26,430,533,201</b>	<b>100.0</b>	<b>3,499</b>	<b>100.0</b>

<sup>3</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).



**WHEN WERE INVESTMENTS MADE?<sup>4</sup>**

NMTC investments have been reported from FY 2003 through FY 2011. The majority of these investments, as measured by the original amount of the QLICI, were reported in the last three fiscal years, for FY 2011 (24%), followed by FY 2010 (18%), and FY 2009 (17%). The number of projects has ranged from 457 to 532 from FY 2006 through FY 2011, whereas the number of financial notes reported has been greater than 1,000 in the last three fiscal years. As mentioned previously, due to a time lag in reporting NMTC investments reported in CIIS are less than the total amounts allocated for the NMTC program.

<b>Fiscal Year</b>	<b>Amount of Investment</b>	<b>Percentage of Total Investment</b>	<b>Number of QALICBs</b>	<b>Number of Financial Note Transactions</b>
2003	\$81,375,732	0.3	13	16
2004	\$641,005,611	2.4	158	200
2005	\$1,464,654,663	5.5	307	408
2006	\$2,410,873,523	9.1	457	696
2007	\$3,356,955,449	12.7	583	970
2008	\$2,823,231,323	10.7	487	866
2009	\$4,483,378,171	17.0	496	1,114
2010	\$4,871,502,509	18.4	466	1,101
2011	\$6,297,556,218	23.8	532	1,441
<b>Total</b>	<b>\$26,430,533,201</b>	<b>100%</b>	<b>3,499</b>	<b>6,812</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 undercounting project outcomes and to help the CDFI Fund better understand the outcomes of NMTC projects by receiving more reliable information.<sup>5</sup>

<sup>4</sup> The fiscal year selected for NMTC transactions and projects is the earliest year reported in CIIS for a project, with the exception of multi-CDE projects, where the initial year of the most recent financial note was selected.

<sup>5</sup>The Government 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 continue improving strategies for collecting NMTC project-level data that clearly identify the potential outcome of each project without the potential for double-counting the outcomes of some projects or undercounting the outcomes of others.



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In preparing the FY 2011 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 3,499 NMTC projects, 3,132 have a single CDE and 367 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 simply flagged as “multi-tract” in the NMTC data release. Among these projects are 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 3,499 NMTC projects, 188 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:

- An identical Organization Number (for single-CDE projects)
- A comparison of Originator Transaction ID or Project Component ID
- A similar or identical address for single-address projects or a similar or identical group of addresses for multi-tract projects
- A similar or identical business purpose
- An identical Project ID and/or Project Number
- An identical Original Amount
- An identical Estimated Total Project Cost

Where multiple investments were grouped into a single project, the sum of all QLICIs (Original Amount) must remain less than the Estimated Total Project Cost. If multiple values exist for the estimated total project cost, the highest value is selected as the default estimated total project cost.<sup>8</sup>

The 2011 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

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<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.

<sup>8</sup> The CDFI Fund is reviewing total project costs that are larger than \$100 million and those that are more than one standard deviation from the mean.



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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 updated project information based on feedback from CDEs in the FY 2012 data publication. Please do not attempt to make such corrections in the CIIS TLR unless instructed to do so through guidance published by the CDFI Fund.