

The New Markets Tax Credit

Progress Report 2006

A Report by the New Markets Tax Credit Coalition

May 2006



New Markets Tax Credit Coalition

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The New Markets Tax Credit (NMTC) Coalition is a national membership organization that advocates on behalf of the NMTC program. The Coalition is managed by Rapoza Associates, a public interest lobbying and government relations firm located in Washington, DC that specializes in providing comprehensive legislative and support services to community development organizations, associations and public agencies.

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Introduction

The *2006 Progress Report* was prepared by the New Markets Tax Credit Coalition, a national membership organization that advocates on behalf of the Credit. The report is designed to provide policymakers and practitioners with an update on the Credit and its impact on low income communities across the country.

The Coalition's first report, which was released last year, was based on a survey of Round I Allocatees awarded Credits in 2003. The survey results showed that these recipients were putting the Credit to work at a faster pace than required by law and were reaching poorer communities than the law mandated. The report therefore provided a valuable snapshot of how the pioneer Round I Allocatees were working with investors and deploying private capital as the Credit initially was being implemented.

This year, the Coalition surveyed both Round I and Round II Allocatees. The information collected from the surveys reveals that these recipients are continuing to raise capital from investors and are deploying it into businesses at a remarkably fast pace. In fact, the results indicate that demand for the Credit from Round I and Round II Allocatees as well as from investors has made the program a more efficient development tool and has encouraged greater targeting to communities experiencing severe economic distress.

As with last year, the *2006 Progress Report* includes a series of stories from the field which illustrate how the New Markets Tax Credit has been used in a full range of businesses and community development projects designed to create jobs and strengthen local economies. The stories also describe the reach of the Credit into both urban and rural areas of states such as Alaska, California, Iowa, Illinois, Kentucky, Louisiana, Mississippi, Montana, and Wisconsin, as well as the District of Columbia.

Background on the New Markets Tax Credit

Initially, the New Markets Tax Credit was developed as part of a bipartisan agreement between a Democratic President Clinton and a Republican Speaker of the House Hastert who were both committed to finding a way to bring low income communities into the economic mainstream. It was then signed into law by President Clinton (P.L. 106-554) as he was leaving office and subsequently implemented by Republican Administration headed by President Bush that embraced the Credit as a market driven tool designed to strengthen impoverished communities.

The purpose of the New Markets Tax Credit is to provide a modest federal tax credit to stimulate private investment and economic growth in low income communities that are often overlooked by conventional investors. These economically distressed communities lack access to the patient investment capital necessary to support business and economic development.

The Credit attracts private sector investors to low income areas by offering them a 39% federal tax credit over seven years – a 5% credit in each of the first three years and a 6% credit in each of the last four years. The investor receives the Credit when it provides an equity investment in a Community Development Entity (CDE). This investment is called a Qualified Equity Investment (QEI). The CDE in turn uses the capital derived from the Credit to make loans or investments in businesses and projects in low income communities. These loans and investments are called Qualified Low Income Community Investments (QLICIs).

The Department of the Treasury's Community Development Financial Institutions (CDFI) Fund, which administers the New Market Tax Credit program, certifies CDEs. In general, a CDE is a domestic corporation with a track record in community development and is accountable to the residents of the low income communities it serves (i.e. by having such residents represented on the CDEs' governing or advisory boards). An example of a CDE is a Community Development Corporation, a Community Development Financial Institution, a private financial institution, or a Small Business Investment Company.

The CDFI Fund also oversees the competitive Credit allocation application process which determines which CDEs are awarded New Markets Tax Credits. The authorizing legislation provides for \$15 billion in Credit allocations between 2000 and 2007. As of May 2006, the CDFI Fund has awarded three rounds of Credit allocations totaling \$8 billion. Allocations are currently pending for the fourth round worth \$3.5 billion. The Round IV awards are expected to be announced in June 2006. Furthermore, Congress authorized in December 2005 an additional \$1 billion in New Markets Tax Credit allocations for Gulf Coast communities devastated by Hurricane Katrina, of which the first \$600 million will be awarded by the CDFI Fund in June 2006 as well.

In keeping with the CDFI Fund's schedule, applications for the final \$3.5 billion in Credit allocations authorized under current law (Round V) will be submitted in fall 2006. Credit awards then will be made in spring 2007. If the past is any predictor, demand for the Credits will easily exceed \$25 billion.

This demand highlights how extremely competitive the Credits are to secure. In fact, the demand to date has outstripped the availability of credits by tenfold. When a CDE submits an

application to the CDFI Fund, it must detail its intended efforts in four areas: business strategy, capitalization strategy, management capacity, and community impact. Each of these four areas is scored equally, and the stiff competition requires that successful applicants score well in all four categories.

In order for a CDE applicant to be successful, it must demonstrate the ability to raise 80% of its investments capital within two years and 100% within three years, though the law allows a CDE five years to raise its capital from investors. Successful applicants must also show that at least 80% the capital raised will be deployed into qualified businesses (or QLICs) within three years. Finally, successful applicants must show that at least 80% of its QLICs will be in communities of high economic distress that exceed the minimum benchmarks set by the law.

If awarded an allocation of Credits, the CDE then signs an Allocation Agreement with the CDFI Fund, which gives the Allocatee the authority to market the Credit to investors and begin implementing its New Markets Tax Credit business strategy.

The NMTC Realizing its Potential

Although the New Markets Tax Credit is still a relatively new program, a healthy industry of CDEs and investors has emerged to support the program and ensure that this “market driven” tool is efficiently used to bring much needed investments into low income communities.

The Credit was authorized in 2000 and the Allocation Agreements with the Round I Allocatees were signed in late fall 2003/early winter 2004. The first QEIs were issued in December 2003. Therefore, the Credit has been available in the market for only two and one half years. In that short time, the market has embraced the Credit. Furthermore, projects have gotten underway that are revitalizing poor neighborhoods and demonstrating to investors that there are “new markets” to be explored.

As this report goes to press, the Treasury Department reports that CDEs have raised \$4.3 billion in Quality Equity Investments. Therefore, the Credit has already brought \$4.3 billion in new investment capital to low income communities.

Survey Findings

The Survey Sample

The CDFI Fund awarded 119 Community Development Entities (CDEs) allocation awards in Rounds I and II.¹ This year's survey sample includes 62 New Markets Tax Credit (NMTC) allocation awards from those two rounds.

The CDEs that responded to this year's survey represent nearly \$3.2 billion in allocation awards out of the total \$6 billion awarded in Rounds I and II. Almost \$1.7 billion were Round I allocations and just under \$1.5 billion were Round II awards.

Thirty-four percent of the survey respondents represent CDEs with a national service area, 31% a statewide service area, 23% a local service area, and the remaining 12% a multi-state area.

Approximately 23% of the CDEs in the survey sample are targeting at least half of their allocation to rural areas. Sixty-six percent are targeting at least half of their allocation to urban areas as well.

Progress Issuing Qualified Equity Investments

CDE survey respondents were asked to report on their progress in securing capital from investors in the form of Qualified Equity Investments (QEIs), which are made in exchange for the Credit.

¹ The CDFI Fund made 129 allocation awards in Rounds I and II. Ten CDEs were awarded allocations in both rounds – for a total of 119 CDEs receiving awards.

Similar to the findings of last year’s report, CDEs continue to secure investments and issue QEIs at a faster pace than required by law or regulations. By law, a CDE must issue its QEIs within five years of receiving a Credit allocation. The CDEs surveyed are well on their way to issuing most of their allocations as QEIs by the end of 2006.

By the end of 2005, the Round I CDEs surveyed had issued \$1.2 billion of their Credit allocations as QEIs and had legally committed an additional \$289 million (Chart 1).

By the end of 2005, the Round II CDEs surveyed had issued \$844 million of their Credit allocations as QEIs and had legally committed another \$72 million (Chart 2). The phrase “legally committed” means that a legally binding contract has been signed between a CDE and an investor whereby the latter agrees to make an investment or a series of investments according to a determined schedule.

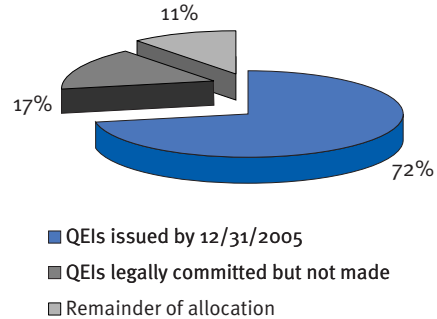
Combined, Round I and Round II Allocatees surveyed had issued or committed 77% of their total allocations as of December 31, 2005, with over \$2 billion in QEIs issued and \$362 million legally committed. By the end of 2006, these CDEs report that 90% of their allocations, or \$2.8 billion, will be issued as QEIs.

NMTC Investor Market Continues to Develop

CDEs were asked to indicate the types of institutions to which they had issued QEIs. Sixty-two percent of the CDEs responding indicated that they had secured investments from more than one type of investor.

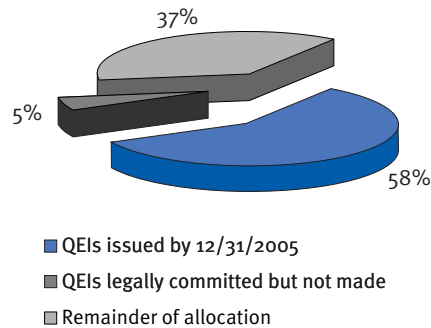
Chart 3 shows the diversity of institutional investors engaged in the Credit. National banks are the largest group of investors (54%), followed by regional banks (48%) and local community banks (37%).

**Chart 1:
Qualified Equity Investments Issued - Round I**



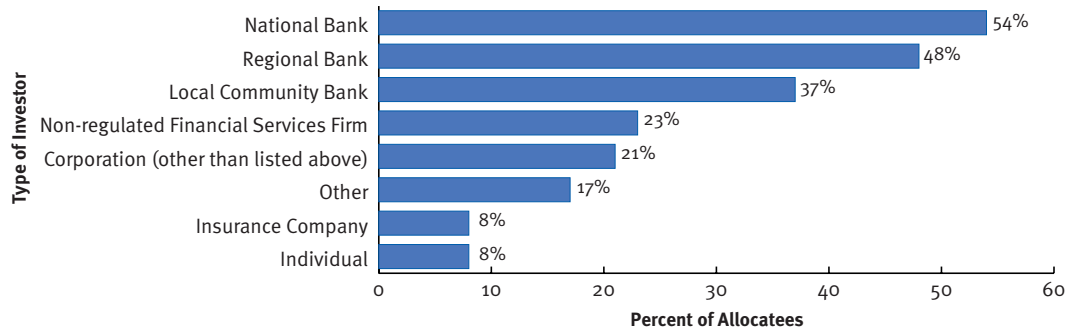
Source: Survey respondents.

**Chart 2:
Qualified Equity Investments Issued – Round II**



Source: Survey respondents.

Chart 3:
Types of NMTC Investors



Source: Survey respondents (NB: some CDEs have multiple investors).

Chart 3 also highlights the significant role that non-regulated financial services firms are playing as investors in the Credit. Twenty-three percent of CDEs surveyed report that they have issued QEIs with such institutions. These firms are typically non-depository institutions involved in home mortgage lending and investing on a regional or national basis. Unlike regulated financial institutions, they are not subject to the Community Reinvestment Act or other regulatory requirements of state or federal bank regulators.

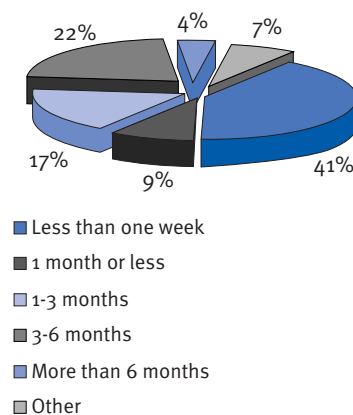
It is also worth noting that 8% of the CDEs reported that they have issued QEIs to insurance companies. The profile of the Healthy California initiative included in this report is one illustration of how this sector of institutional investors has used the Credit.

Progress Deploying New Markets Tax Credit Capital

CDEs responding to the survey continue to get loans and investments into the field at a faster rate than required by law. The law requires CDEs to have “Substantially All” (at least 85%) of their QEIs deployed in Qualified Low Income Community Investments (QLICIs) within one year. This requirement means that once a CDE raises its investment capital and issues a QEI to the investor, it has one year to get the capital deployed into a QLICI.

A QLICI can take the form of (1) a loan or investment in a qualified business; (2) the purchase of a qualified loan from another CDE;

Chart 4:
Time Required to Deploy Capital



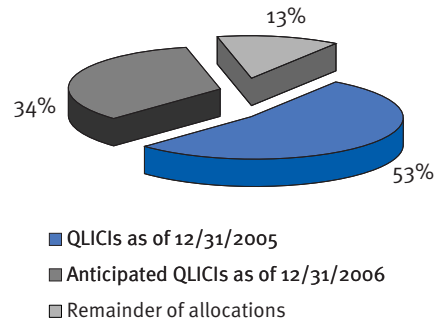
Source: Survey respondents.

(3) financial counseling to businesses or residents in a low income community; and (4) loans and equity investments in another CDE.

Forty-one percent of the CDEs surveyed indicated that they deploy their capital in less than a week and 67% of the CDEs deploy their capital as QLICIs within ninety days of issuing a QEI (Chart 4).

Survey respondents made a total of 518 QLICIs totaling almost \$1.7 billion as of December 31, 2005. They anticipate making an additional \$1 billion in QLICIs by the end of 2006. By the end of this year then, the CDEs surveyed expect to have deployed 87% of their total Credit allocations in QLICIs totaling \$2.7 billion (Chart 5).

Chart 5:
Capital Deployment



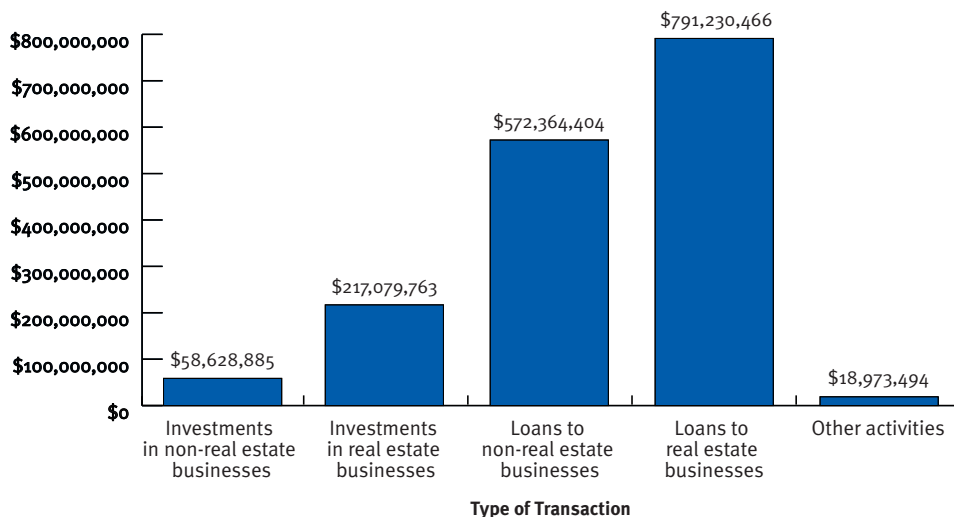
Source: Survey respondents.

Types of Loans and Investments

The Credit has directed a significant amount of flexible debt and equity capital to businesses operating in low income communities across the country. Most of the nearly \$1.7 billion in QLICIs deployed by the CDEs surveyed as of December 31, 2005 were in the form of loans and investments to qualified businesses (Charts 6 and 7).

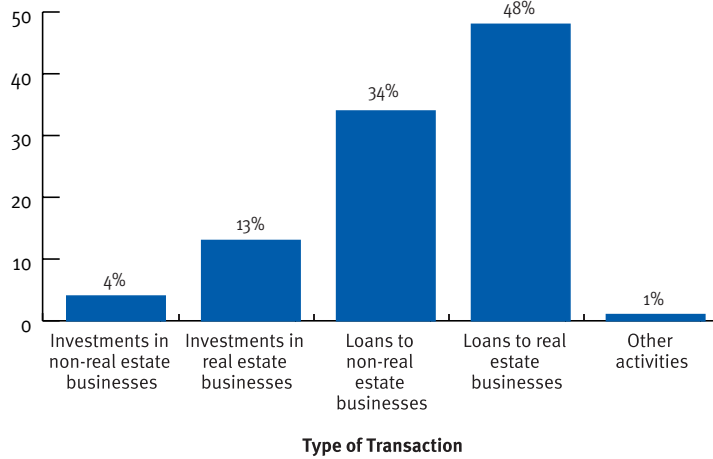
The CDEs surveyed reported more than \$630 million in both debt and equity financing went to non-real estate businesses (Chart 6). As Chart 7 indicates, these transactions account for 38% of the overall QLICIs reported.

Chart 6:
Loans and Investments in Real Estate and Non-Real Estate Businesses



Source: Survey respondents.

Chart 7:
Type of Transaction as Percentage of Overall Transaction

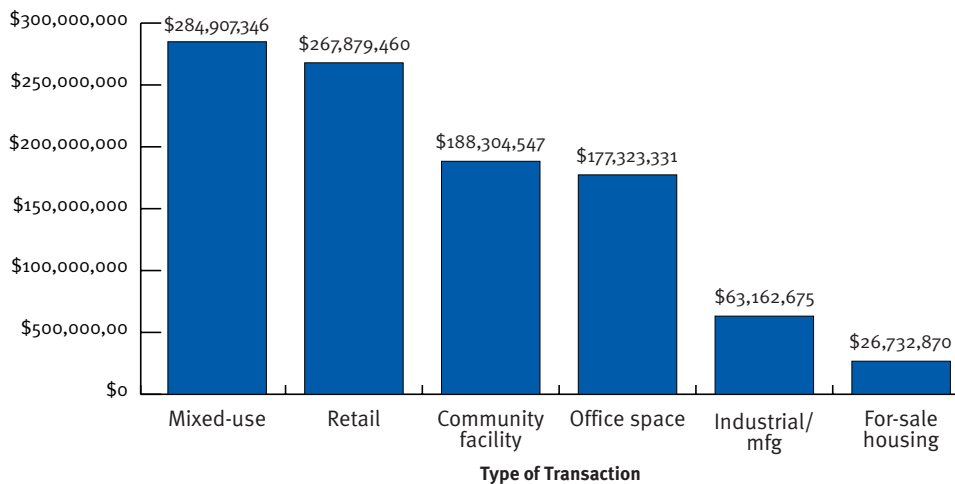


Source: Survey respondents.

CDEs also financed a range of real estate businesses. Chart 8 reveals the dominance of mixed-use, retail and community facility projects among the real estate transactions.

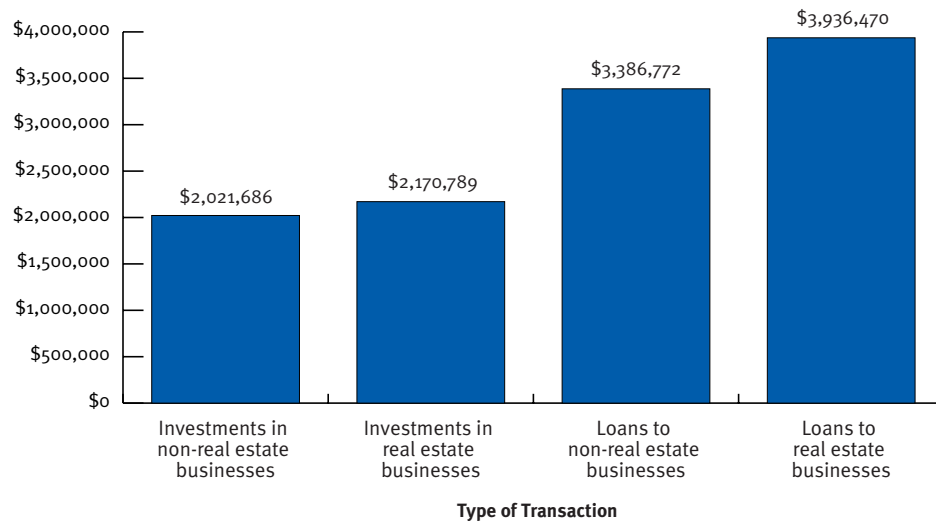
On average, the survey found that NMTC investments are smaller than NMTC loans (Chart 9). This data holds true for both real estate and non-real estate businesses. The average investment was \$2.0 million in a non-real estate business and \$2.2 million in a real estate. The average loan to a non-real estate business was \$3.4 million and the average loan to a real estate business was \$3.9 million.

Chart 8:
Value of Real Estate Transactions by Type



Source: Survey respondents.

Chart 9:
Average Size of NMTC Transactions



Source: Survey respondents.

Approximately one-third of the survey respondents indicated that they use the Credit to provide a range of both debt and equity products to qualified businesses. The stories from the field at the end of this report illustrate how CDEs have designed flexible financing products to address the financing needs of the businesses in the communities they serve.

Targeting Communities of High Distress

The law requires CDEs to invest in low income communities, which are defined as census tracts with (1) a poverty rate of at least 20%; (2) a median family income of up to 80% of the metropolitan area or statewide median, whichever is greater; or (3) for non-metro census tracts, a median family income of up to 80% of the statewide median. Therefore, a principle measure of success is the deployment of capital in both urban and rural low income areas.

Survey respondents were asked to report on the number of QLICs that were made in areas of high economic distress. CDEs report that 96% of businesses financed through the Credit are in communities with more than one high economic distress factor as identified by the CDFI Fund.

The survey found that:

- 48% of the QLICs completed are in areas with median incomes of less than 60% of area median income;
- 44% of the QLICs are in areas with unemployment greater than 1.5 times the national average; and
- 39% of the QLICs are in areas where the poverty rate is greater than 30%.

The high level of targeting to more economically distressed communities is a reflection of two factors. First, there is significant need (as well as demand) for flexible investment capital in low income communities. Second, the demand in Allocation Applications in the first four rounds significantly exceeded the amount of Credits available, thus driving CDEs to aggressively target their activities to more economically distressed areas in order to be competitive in the application process. In fact, the Round IV Allocation Applications required applicants to complete a new table highlighting their track record of achieving impacts in low income communities.

**Chart 10:
Allocation Availability and Demand**

	Available Allocation	Application Demand
Round I	\$2.5 billion	\$26 billion
Round II	\$3.5 billion	\$30 billion
Round III	\$2 billion	\$23 billion
Round IV ²	\$4.1 billion	\$28 billion
TOTAL	\$12.1 billion	\$107 billion

Offering Patient, Flexible Financing Products

Survey respondents were asked to provide a narrative describing the benefits of the Credit. CDEs were asked how they were passing on these benefits to the businesses and the low income communities being targeted.

Not only must a CDE show how they will target poor communities but in order to succeed in the extremely competitive allocation process, a CDE must also demonstrate how the Credit will be used to provide patient, flexible capital at terms and conditions not otherwise available on the market. The flexibility of the Credit allows CDEs to structure financing products and strategies based on the needs of the business, the profile of the community, and the financing gaps in the market. As a result, the Credit becomes a product of negotiation at the local level where no one size fits all. For example:

- CDEs are offering debt products with interest rates well below market;
- CDEs report that the “gap” financing made possible with the Credit is often the key ingredient that enables a project to move forward. In some instances, the gap financing takes the form of an equity investment to assist a project or business that is unable to support additional debt;
- CDEs are providing non-traditional financing products such as debt with equity features as well as conventional debt and equity products that simply are not otherwise available to businesses operating in low income communities;

² These figures include the additional \$600 million in allocation volume provided to the GO Zones as well as the additional demand it generated.

- CDEs are offering financing products with better terms and conditions than otherwise available in the market, allowing higher loan-to-value ratios; providing subordinated debt products; and finding ways to finance businesses that fall outside of conventional underwriting standards;
- CDEs are finding ways to limit, absorb and/or finance customary fees. Some CDEs are using the fee income generated by the Credit to finance other businesses and projects in low income communities;
- As a condition of securing Credit financing, some CDEs are requiring businesses to provide additional benefits to the community. In some cases, CDEs are requiring businesses to target new job opportunities to low income individuals and work with state and local workforce programs to recruit for new job opportunities. Other CDEs are requiring businesses to develop job training programs or worker retention programs as a condition of securing Credit financing.

What About Rural?

One of the areas of concern about the New Markets Tax Credit is the accessibility of the program for rural areas of the United States.³ The CDFI Fund reports that approximately 18% of the projects financed by the Credit were located in rural areas.⁴ This percentage is roughly proportional to the overall rural share of the U.S. population which is about 20%. Nevertheless, the high rates of economic distress in rural America have led many to question why rural participation in the New Markets Tax Credit program is not greater.

One reason for the limited rural participation is that many of the census tracts in rural areas, even those with high economic distress, do not meet the median income and poverty limits established under the Credit. Many rural census tracts have too few people or the settlement patterns are such that they do not lend themselves to a census track-based measure.

In late 2004, Congress addressed the issue of rural participation in the American Jobs Creation Act (P.L. 108-357). It included three provisions in this legislation to facilitate the use of the Credit in rural America. The first provision allowed a CDE to direct Credit

³ CDFI Fund Definitions:

- **Major Urban Area** - a metropolitan area with a population equal to or greater than 1 million, including both central city and surrounding suburbs.
- **Minor Urban Area** - a metropolitan area with a population less than 1 million, including both central city and surrounding suburbs.
- **Rural Area** - areas not contained within major urban or minor urban areas.

⁴ See March 24, 2006 CDFI Fund Press Release “New Markets Tax Credit Transactions Reported to the CDFI Fund,” available at <http://www.cdfifund.gov/news/2006/2004NMTCCdata.pdf>.

resources to a targeted population within an unqualified census tract. The second provision made certain low population census tracts eligible for the Credit. Finally, the third provision raised the median income limit to 85% for rural census tracts with high out-migration. Of the three provisions, the most important is targeted populations. It allows a CDE more flexibility in targeting low income and other populations living in unqualified census tracts for the benefits and opportunities that come with the Credit. The Department of the Treasury, however, has not yet published a final rule on this provision.

Another concern is the accessibility of the Credit for rural CDEs or those CDEs targeting rural areas. In an attempt to gain insight into concerns regarding rural participation, the New Markets Tax Credit Coalition requested information from the CDFI Fund regarding the CDE applicants for Round III.

The demand for Round III allocations outstripped the availability of Credits by tenfold. In fact, 208 CDEs submitted applications requesting \$22.9 billion in Credits. In May 2005, 41 CDEs ultimately received allocations for a total of \$2 billion or 9% of the total amount requested.

The information collected from the CDFI Fund on Round III applicants revealed the following with regard to their targeting of rural areas:

- Of the \$22.9 billion requested, \$3.9 billion (17%) was targeted to rural areas.
- Of the \$2 billion in Credits awarded, \$326 million (16%) was targeted to rural areas.
- Of the 208 applicants, 38 (18%) indicated that *at least 50% of their allocation* would be targeted to rural areas. These “rural CDEs” applied for \$2.7 billion (or 12%) of the total \$22.9 billion that all CDEs requested in Round III. Six of these applicants (15%) ultimately received allocations totaling \$205 million (or 10%) of the \$2 billion awarded.
- Of the 208 applicants, 13 applicants (6%) anticipated targeting 100% of their allocation to rural areas. The 13 applicants requested \$827.5 million in allocations (or 3.6% of all requests). Two of these applicants (5%) received allocations of \$72 million (or 3.6% of successful requests).

These findings indicate that rural applicants, based on the number that applied and the amount requested in Round III, were as successful as other applicants in applying for allocations. Rural applicants ultimately comprised 18% of all applicants and 15% of all awardees. The amount awarded to rural applicants (\$205 million or 10% of the \$2 billion awarded) is roughly proportional to the amount requested by rural applicants overall (\$2.7 billion or 12% of the \$22.9 billion requested).

Rural economies present many obstacles to revitalization. Among these hurdles are a lack of economic diversity and investors, the limited availability of credit, the seasonal nature of employment, and geographic isolation. There is evidence, however, that the New Markets Tax Credit has the capacity to overcome some of these barriers. The profiles of projects financed by the Credit in Alaska, Montana, Iowa, and Wisconsin demonstrate that the Credit is attracting investors to remote areas, filling a credit gap and providing stimulus to local rural economies.

Stories from the Field

The following profiles and updates reveal the extent to which the New Markets Tax Credit is creating jobs and stimulating economic opportunities in low income communities throughout the nation. The Credit is being utilized in some of the most densely populated urban neighborhoods and some of the most remote rural areas. Its flexibility is also demonstrated in the variety of ways that CDEs and their investors are using the Credit to provide health care to the uninsured, foster local businesses, and even help the hurricane ravaged Gulf Coast to rebuild.

Story from the Field: Financing Small Businesses in Rural Alaska and Montana

Allocatee	Alaska Growth Capital BIDCO, Inc., a subsidiary of Arctic Slope Regional Corporation
Headquarters:	Anchorage, AK
Service Area:	Alaska and Montana
Allocation:	\$5 million (Round I); \$35 million (Round II)

Since its establishment in 1997, the Anchorage-based Alaska Growth Capital (AGC), a subsidiary of the state's largest Native-owned corporation (Arctic Slope Regional Corporation), has provided over \$100 million in loans to small businesses deemed to be too high risk by traditional financial institutions. In so doing, it has helped hundreds of clients to grow and prosper in Alaska's unique business environment where communities may be so isolated from one another that they are only accessible by boat or airplane. In fact, more than 60% of AGC's loans are made off the road network. Its small business loans have ranged from \$100,000 to \$10 million, and its clients are located throughout Alaska – from Ketchikan in the east to Adak in the Aleutian Islands, one of the most westernmost points in the United States.

With the New Markets Tax Credit, AGC has a new and powerful tool for economic development. It has been able to harness the Credit to bring private capital into some of the most remote rural communities in Alaska. AGC received Credit allocations in Rounds I and II totaling \$40 million. It is deploying these Credits in an effective and efficient manner to grow businesses as well as strengthen the Alaskan economy, as demonstrated by its involvement with the Tyonek Native Corporation.

The Village of Tyonek is located on a bluff overlooking Cook Inlet, which is forty-three miles southwest of Anchorage. Its 193 residents are Dena'ina Athabascan Indians, the majority of whom are "Tebuhqna" or "beach people." The village is only accessible by sea or air, and its residents maintain a subsistence diet primarily of salmon, moose, beluga whale, and waterfowl. According to the 2000 Census, Tyonek has a 27.3% unemployment rate and a poverty rate of 14%.

As part of the Alaska Native Claims Settlement Act of 1971, which established a series of village and regional Native Corporations in a settlement of aboriginal claims to Alaskan lands, the Tyonek Native Corporation was formed. It is governed by nine directors and a management staff who are responsible to nearly 600 shareholders. The Tyonek Native Corporation is the parent company to a wide range of subsidiary businesses, one of which attracted AGC's attention for a Credit-financed investment, Envirotech.

Envirotech removes toxic elements from oilfield mud through an environmentally safe chemical process that also requires vacuums, conveyor belts, and other equipment. Conventional banks had previously rejected the company's request for financing equipment due to the start-up nature of the venture. AGC stepped in with a \$1 million Credit-financed low-interest below-market loan to help Envirotech bring its plans to fruition. Wells Fargo invested in the

Credits that allowed the financing to occur. Six months after the transaction, Envirotech's payroll increased from three to twelve people. The company's chief executive was quoted in *Forbes Magazine* that the expansion would never have happened without AGC's loan, and the loan would not have been made without the New Markets Tax Credit.

The transaction with Tyonek Native Corporation and Envirotech also had consequences for AGC's growth strategy. First, AGC began to develop a way in which it could enhance its work with the Credit in isolated Alaskan communities. Rather than find an investor one deal at a time, which was often logistically difficult in rural Alaska, it sought to create a Credit-financed fund which it could draw upon to finance small business projects across the state. Morgan Stanley, the New York City-based global financial services firm, agreed to invest \$17 million in AGC in exchange for Credits to begin such a fund after reviewing AGC's long track record of rural investments.

In addition, AGC's success with financing small business projects such as Envirotech led the company to open a branch in another predominantly rural state, Montana. In November 2005, Montana Growth Capital (MGC) was established with the same mission as its parent company – providing loans to businesses with higher risk profile than many traditional banks will accommodate. After careful market research, AGC recognized that Montana's economy is surprisingly similar to Alaska's, and that the financing climate in both states exhibited the same “gaps” in risk-based lending. MGC anticipates providing at least \$5 million in small business loans in its first year of operation. MGC also plans to access the New Markets Tax Credit to provide loans at favorable market rates, which will help to fill business financing gaps and ultimately grow the Montana economy. AGC's founder and CEO David Hoffman, a Montana native, had the foresight to include in his successful Round II application for Credits that the service area would be multi-state – Alaska and Montana.



AGC Photo

Jeff Batton, President of MGC, is looking forward to bringing the benefits of the New Markets Tax Credit to Montana. He has worked in both Montana and Alaska and notes that the products offered by AGC and MGC fill an economic development role that is lacking in both states. In fact, Batton contends that one of the most remarkable features of the New Markets Tax Credit is how it facilitates the transfer of private capital “from Wall Street to Main Street,” as exemplified by the investments Morgan Stanley and Wells Fargo have made. He believes that AGC's model of using the Credit to attract capital to remote rural areas can be replicated in Montana and throughout other regions of the nation. It is this pioneering spirit that makes the stories of Alaska Growth Capital and now Montana Growth Capital exciting ones to tell.

Story from the Field: Healthy California

Allocatee	Impact Community Capital CDE, LLC, a subsidiary of Impact Community Capital, LLC
Headquarters:	San Francisco, CA
Service Area:	Statewide
Allocation:	\$40 million (Round I)

The flexibility of the New Markets Tax Credit has enabled Impact Community Capital LLC (“Impact”), a San Francisco-based consortium of major insurance companies, to forge an alliance with organizations having expertise in financing health centers to create Healthy California. This initiative has established a fund dedicated to financing community health centers (CHCs) in low income communities throughout the state. This unique model is providing flexible debt products to a sector that has difficulty accessing conventional financing. Healthy California also is bringing a new class of institutional investors to the community development arena.

Impact Community Capital LLC, Impact’s CDE subsidiary, has dedicated \$16.3 million of its \$40 million Round I allocation to capitalize the Healthy California initiative. The remainder of the allocation is being used to finance a wide range of other community development initiatives, including child care facilities in California.

The Round I Credit award allowed Impact to offer debt products to CHCs under terms and conditions normally reserved for large corporate borrowers. Qualifying CHCs will be able to borrow funds at a 6% fixed interest rate (7% for construction) amortized over twenty-five years. The loans average \$1.5 million and vary in size depending on the needs of the project.

Over the next two years, Impact and its partners in the Healthy California initiative plan to finance between ten to twelve CHCs using its Round I allocation. These funds will be used for both building new facilities as well as expanding existing clinics in poor communities. Ultimately, Healthy California is expected to bring health care to 150,000 low income Californians who otherwise lack access to basic care.

Impact’s insurance company partners include Allstate, Farmers, Metropolitan Life, Nationwide, Pacific Life, Safeco, State Farm, and 21st Century. The New Markets Tax Credit has brought them in as investors in CHCs throughout California, which are considered a difficult asset class to finance. Unlike banks, insurance companies do not have the added incentive of the Community Reinvestment Act compliance to draw them into “new markets.” As institutional investors, these insurance companies are also driven by the economics of the deal, which means Impact must also look to reduce the risk associated with financing CHCs in low income areas.

One of the ways Impact sought to manage the risk to its insurance company investors is to partner with the NCB Development Corporation (NCBDC), which has a track record of financing health care facilities. NCBDC has loaned over \$200 million to 200 non-profit health care providers over the past two decades, which has created more than two million square feet

of clinic space and has served more than 750,000 low income people a year. In addition to contributing their expertise, it also administers the Healthy California loan portfolio.

Impact's work with NCBDC provides a good illustration of how the New Markets Tax Credit can be a catalyst in building partnerships and leveraging capital. While the largest piece of the initial \$20.3 million investment in Healthy California comes from the \$16.3 million from Impact, NCBDC has contributed an additional \$1.5 million as well. Other funds have come from the California Primary Care Association (\$1.5 million), a trade association representing more than 600 community clinics and health centers, and the Community Clinics Initiative (\$1 million), a statewide grant program.

To date, Impact has closed two loans to CHCs under Healthy California. The first loan in October 2005 went to the San Ysidro Health Center in San Diego, which received a \$4 million loan to finance the purchase of a building it had previously been leasing and allow the flexibility for future expansion at its other five clinics. The planned expansion will create a new maternal and child health center, which will focus on emotional, physical, and behavioral development, and will serve more than 5,000 low income patients annually. The San Ysidro Health Center currently experiences over 200,000 visits each year, and provides a full range of medical services to its mostly Latino clients.

The second loan through the Healthy California program was \$2 million to LifeLong Medical Care in Berkeley. These funds will support the purchase and rehabilitation of a new facility that will enable it to consolidate its member services, administrative and special community project staff into one building. LifeLong is the primary "safety net" provider of medical services to the uninsured and those with complex health needs in the Bay Area communities of Berkeley, North Oakland, Albany and Emeryville. It currently has five medical clinics, a dental clinic, an adult day health center for the elderly with complex care needs, and a supportive housing program for formerly homeless adults. LifeLong provides approximately 93,000 primary care visits each year, nearly half of which are from uninsured patients, 72% are minorities, and 35% non-English speakers. The new building frees cramped quarters in two of LifeLong's primary care sites, allowing the health center to enhance its counseling services and add more examination rooms to shorten patient wait times.

Dan Sheehy, President and CEO of Impact Community Capital, said Healthy California is "further evidence that insurers who invest in communities through Impact are committed to developing new and innovative ways to put their dollars to work benefiting communities." Sheehy noted the program is "structured to meet insurer investor financial obligations by making use of tax credit initiatives, including the New Markets Tax Credit program." Healthy California therefore demonstrates the exciting ways in which the Credit is being utilized to transform the lives of low income individuals, especially the uninsured.

Story from the Field: The Shops At Park Village – Washington, DC

Allocatee	Local Initiatives Support Corporation (LISC)
Headquarters:	New York, NY
Service Area:	Nationwide
Allocation:	\$65 million (Round I); \$90 million (Round III)

The New Markets Tax Credit is continuing to revitalize blighted urban neighborhoods across the nation. It is bringing together investors, community development organizations, and for-profit real estate developers to create economic opportunities, often filling financing gaps that prevent revitalization projects from moving forward. A key example of the New Markets Tax Credit's success in such an endeavor is The Shops at Park Village project in the Congress Heights neighborhood of southeast Washington, DC, where Credit financing played a crucial role in transforming a property that had been vacant for decades into an economic catalyst for revitalizing this low income community east of the Anacostia River.

Congress Heights is one of the most impoverished neighborhoods in the nation's capital. In fact, the census tract where The Shops at Park Village will be built has a 44% poverty rate. The median income is 32% of the area's median income as well. It also has been designated a DC Enterprise Zone, a Small Business Administration HUBZone, and a Community Development Financial Institution Hot Zone⁵ – all of which provide either a local or federal incentive for economic development.

The Shops at Park Village is being built on the site of an abandoned National Guard base, Camp Simms. The DC Government purchased the property in 1983 and despite promises to redevelop the land, every plan subsequently fell through. Previous proposals included a 12-screen movie theater with an indoor mall and food court, a Super Fresh grocery store, and then a neighborhood shopping complex. For much of this period as well, the entire Congress Heights neighborhood went without a sit-down restaurant and a chain supermarket.

While there clearly was a market for a grocery store, the low rents that the Congress Heights neighborhood would generate made supporting the debt financing necessary for a full-scale supermarket infeasible. The New Markets Tax Credit, however provided the subsidy necessary to support the debt and allowed the project to finally move forward after many years of failed attempts.

The Local Initiatives Support Corporation (LISC), a national community development organization which works closely with residents and other community development organizations to bring jobs, business opportunities, and commercial facilities to economically distressed areas, received a \$65 million Credit award in Round I and a \$90 million award in Round III. Realizing the importance of this commercial development to the economic

⁵ According to the CDFI Fund, Hot Zones are areas of high levels of distress (i.e. poverty rate of at least 20% and the median family income at or below 80% of the area median income, with an unemployment rate that is at least 1.5 times the national average).

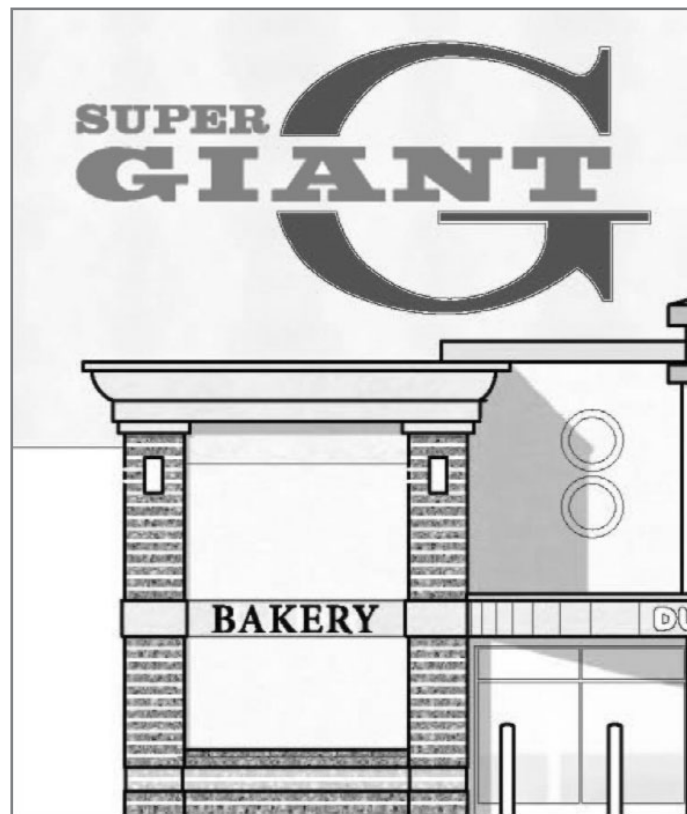
growth of the Congress Heights neighborhood, LISC, with the programmatic support of its Washington, DC office, dedicated \$18.5 million of its Credit allocation to The Shops at Park Village project.

LISC's Washington, DC office has a long-standing relationship with East of the River Community Development Corporation (ERCDC), which works in Congress Heights to increase affordable housing, business development, and create jobs for the neighborhood. ERCDC wanted to be a partner in any development that took place on the Camp Simms site. Five years ago it became a partner with William C. Smith and Company, a Washington, DC-based real estate developer, to receive the rights to develop the property from the city. This partnership combined William C. Smith and Company's vast experience in large-scale real estate development with ERCDC's knowledge of the local community to bring The Shops at Park Village project to completion.

The New Markets Tax Credits were largely responsible for the success of this alliance's efforts. LISC, working with its Credit investor Wachovia Bank, provided \$17.6 million of blended debt products at rates and terms that allowed this \$20.6 million project to move forward. About \$3.5 million of this amount took the form of a subordinate loan that bears interest at less than one percent. The favorable terms of this NMTC loan filled the project's financing gap and were structured in a manner that provides ERCDC with the equity contribution it needed to obtain its ownership interest in the project.

The Shops at Park Village is the centerpiece of the revitalization efforts of the Camp Simms area, which include the construction of a 75-home community for families with incomes starting at \$65,000 and The ARC, a nearby town hall, education, arts and recreation center. This 114,000 square foot commercial development also will bring to Congress Heights its long desired chain grocery store when a new

65,000 square foot Giant supermarket – the largest in DC – opens its doors. The Giant will be a combination food and full-service pharmacy store, and will also feature a Staples office supply aisle, a Western Union money order window, Rug Doctor rentals, an ATM, and a place to purchase phone cards and postage stamps. In addition, the development will expand and redevelop some existing retail space to offer the community a larger choice of retail



LISC Photo

stores, which are expected to include a mixture of local and national businesses, as well as a 5,000 square foot sit-down restaurant. Construction of The Shops at Park Village began in March 2006 and completion is expected by spring 2007.

When The Shops at Park Village opens, it is expected to create as many as 300 jobs, provide needed goods and services to area residents, and help restore the long neglected Camp Simms site to productive use. Giant plans to hire 125 Congress Heights residents for permanent jobs at its supermarket alone.

According to Robert Poznanski, director of LISC's New Markets Tax Credit program, "the Credit allowed LISC to structure the financing in such a way as to create a win-win situation for both the developer William C. Smith and Co. and the community development corporation ERCDC."

Story from the Field: Main Street Ingredients – La Crosse, Wisconsin

Allocatee:	Impact Seven, Inc.
Headquarters:	Almena, WI
Service Area:	Wisconsin
Allocation:	\$21 million (Round I); \$32.9 million (Round II) as part of the Wisconsin Community Development Legacy Fund's allocation

As an Almena, Wisconsin-based community development corporation, Impact Seven (I-7) is a nationally recognized leader in the creative ways it has fostered economic development, especially in rural and distressed areas. Since 1970, it has been involved in a diverse range of activities such as managing ten revolving loan funds including but not limited to the Small Business Administration (SBA) 504 loan and SBA microloan programs, administering job training and employment initiatives, providing other Community Development Financial Institutions (CDFI) with technical assistance, and real estate development.

Now as a Community Development Entity (CDE), I-7 has used the same resourcefulness to leverage the New Markets Tax Credit to achieve maximum economic impact. A key example of I-7's efforts is its recent involvement with the Credit-financed expansion of the La Crosse, Wisconsin-based food manufacturer Main Street Ingredients (MSI).

I-7 first brought the New Markets Tax Credit to Wisconsin when it received a \$21 million Round I allocation in 2003. It then gained the distinction of being one of the first CDEs in the nation to issue a Qualified Equity Investment. I-7 deployed its entire Round I allocation



Impact Seven Photo

as Credit-financed loans to five Wisconsin projects, all of which are in areas of high economic distress. Four of the five transactions are also located in CDFI Hot Zones, and three of the five are Brownfield redevelopments. In total, I-7's five projects financed through its first allocation have created more than 3,200 jobs and nearly 1,300 temporary construction jobs. One of the Brownfield redevelopments – the construction of a campus technology and commercial park in Madison – is expected to result in new jobs for 3,000 to 5,000 individuals.

I-7's expertise with the New Markets Tax Credit, and the fact that it was the only Wisconsin-based recipient in Round I, attracted the attention of the state government. The state through its economic development arm, the Wisconsin Housing Economic Development Authority, was extremely interested in working with I-7 to develop its NMTC capacity around Wisconsin. They then decided, along with the minority-owned Legacy Bank, to establish a CDE (Wisconsin Community Development Legacy Fund (WCDLF)) and compete for a Round II allocation. In 2004, WCDLF's application was successful and they were awarded a \$100 million Credit allocation. Of that amount, I-7 was asked to manage the Credits designated for rural areas, which totaled \$32.9 million. I-7 has since secured investments and closed projects for its entire portion of the statewide allocation. One of these transactions is the expansion of Main Street Ingredients (MSI) to enable it to become more competitive in the global economy and better position it for long-term stability and economic growth.

MSI provides dairy-based food ingredients to the dairy, food processing, and nutritional industries. It is located in La Crosse (population 52,000), a small community which has been adversely impacted by business flight and closings over the last five years as well as the loss of over 1,000 jobs. MSI's expansion is part of a broader effort to reinvigorate the economy of La Crosse as well as maintain and create jobs, which in turn would benefit the entire State of Wisconsin.

I-7 worked closely with U.S. Bank Corporation, which has been I-7's principal NMTC investor and was the principal investor on the MSI transaction. The total MSI project cost of \$10 million exceeded the ability of the local banks to finance. I-7, however, was able to dedicate \$10 million of the Round II allocation to provide the necessary financing to bring MSI's expansion to fruition and provide the flexible terms needed by the company. The financing was provided in three separate seven-year interest-only below-market loans. After the loan term ends I-7 may continue as an equity investor, thereby ensuring the patient flow of capital MSI needs to expand its business over the long term.

MSI's 50,000 square foot expansion included new laboratory space, employee facilities, production areas, and warehousing. The New Markets Tax Credit financed expansion ensured that MSI will remain competitive into the future and provided a real boost to the local economy. The project created 45 manufacturing jobs as well as 50 temporary construction and equipment installation jobs. Moreover, it retained 86 manufacturing jobs in La Crosse.

Furthermore, the benefits of MSI's expansion have been felt throughout the entire State of Wisconsin. The company has a distribution network of vendors in twenty different Wisconsin communities from which it purchases \$16 million in goods annually. Twelve of the vendors are based in rural areas and five are located in low income census tracts. MSI's Credit-financed expansion will benefit disadvantaged areas of the state and ultimately will bind the regional economy together in a cohesive synergy.

According to William Bay, President of I-7 since 1970, one of the phenomena that he has witnessed with regard to the New Markets Tax Credit is that CDEs, investors, and ultimate borrowers are continually finding new and innovative ways to use the Credit more effectively. These efforts in turn are providing greater benefits for businesses in Wisconsin and nationwide. For example, by structuring Credit-financed equity products in such a manner as to leave patient flexible capital in the company, the business is left in a strong position for future growth. As I-7's involvement in MSI then demonstrates, a strong business can have a ripple effect that can benefit the entire state or regional economy.

Story from the Field: Omaha Standard, Inc. – Council Bluffs, Iowa

Allocatee:	HEDC New Markets, Inc., a subsidiary of National Development Council
Headquarters:	New York, NY
Service Area:	Nationwide
Allocation:	\$30 million (Round I); \$135 million (Round II)

The New Markets Tax Credit was designed to introduce private sector investors to “new markets” – urban and rural areas of distress – and stimulate economic growth. In pursuing this goal, many dynamic partnerships have been formed between experienced community development organizations, investors, and local businesses. An illustration of how the Credit has forged such a partnership is the involvement of the National Development Council (NDC), a national economic development organization based in New York City, in financing the expansion of Omaha Standard, Inc., a manufacturer of truck bodies in Council Bluffs, Iowa.

NDC created a community development entity, HEDC New Markets, which successfully competed for a \$30 million award in Round I and \$135 million in Round II. Its application noted that at least fifty percent of its allocation would be targeted to rural areas across the nation. Their usual course of action is to partner with a local community and the Omaha Standard project is no exception. It joined forces with the Pottawattamie Community Development Corporation, which is named after the Iowa County in which Council Bluffs sits, to provide the financing necessary to bring this transaction to completion and keep vital manufacturers in the area.

Omaha Standard has been producing truck service bodies and hydraulic equipment for eighty years. Its product line also includes platforms, rack sets, dump bodies and Eagle lift gates, which are sold throughout North America via a 200-dealer network. The company is situated in an area of high economic distress, having been impacted by the recent loss of manufacturing jobs in the industrial heartland, particularly in the automotive industry. In fact, Omaha Standard is located in both an Iowa State Enterprise Zone as well as a CDFI Hot Zone.

Omaha Standard approached the Pottawattamie County Community Development Corporation, which in turn sought out NDC concerning a much needed capital investment in their plant and equipment. The company had been looking for a way to consolidate its operations, which were spread around the city in six buildings in three different locations. Some of Omaha Standard’s products had to travel as far as five miles between the three plants before shipping, which was neither cost-effective nor efficient. The company needed a new building in which it could bring its operations together and update its technology in order to increase productivity, eliminate redundancies, and ultimately satisfy its customers. As Omaha Standard explored this expansion, there was a real possibility that the company would relocate, taking many good manufacturing jobs with them.

The Credit provided the largest piece of a \$20 million package that enabled Omaha Standard to remain in Council Bluffs, move into a new 205,000 square-foot facility, and purchase new

equipment. First National Bank, a regional bank based in Omaha, Nebraska, invested in HEDC in exchange for the Credits. This investment allowed HEDC to provide the debt and equity necessary to finance Omaha Standard's expansion.

HEDC provided Omaha Standard with a total of \$10.2 million in Credit financing. Of that amount, \$4.1 million was structured as an equity investment, which gave Omaha Standard the patient equity capital it needed for stability and future growth. The other piece HEDC provided to the project was a \$6.1 million seven-year interest-only below-market loan. This combination of equity and debt would not have been available to Omaha Standard from mainstream banks given the size and scale of the project. In fact, it is especially true for the equity piece of the transaction which is so important to the ultimate success of the business and yet the most difficult type of financing to secure. In addition, HEDC's partnership with Pottawattamie Community Development Corporation brought the remaining piece of public sector involvement in this \$20 million project.

As a result of this transaction, Omaha Standard has become a much more efficient business and their manufacturing jobs are remaining in the Council Bluffs area. Products now only have to travel a few hundred feet rather than five miles prior to shipping. The manufacturing space is also combined with the corporate headquarters in the new facility, bringing both sides of the business in closer coordination with each other. In addition, the company was able to purchase a state-of-the-art electrostatic paint system that is both faster than traditional methods and is more effective in preventing rust. These new efficiencies as well as Omaha Standard's projected sales growth has led to 70 new jobs to the current payroll of 290.

The State of Iowa also will stand to benefit from the Omaha Standard transaction. Its Department of Economic Development estimates that state tax revenues will increase by more than \$13 million over the next decade as a result of Omaha Standard's decision to stay in Iowa. Furthermore, the jobs created and retained by this project will boost Iowans' personal incomes by nearly \$180 million over the same period.

According to Pat Thomson, one of NDC's Field Directors, the New Market Tax Credit was instrumental in bringing the Omaha Standard deal to fruition. For one thing, it allowed NDC to work with others to develop competitive financing that kept Omaha Standard in Council Bluffs. In addition, Thomson remarks that NDC is impressed with the Credit's versatility in that it can be used with a wide range of economic development initiatives rather than being limited to only one area. In fact, she says the Credit is unique in that it gives rural states a powerful tool with which to develop revitalization strategies that fit the needs of their communities, as the Omaha Standard project so clearly demonstrates.



HEDC Photo

Story from the Field: Kentucky and The New Markets Tax Credit

The New Markets Tax Credit has been very active in Kentucky, which boasts seven home-grown community development entities (CDEs) that have received Credit allocations totaling \$153.5 million since 2003. All of the Kentucky-based CDEs that were awarded allocations will use the capital raised with the Credit to invest in Kentucky-based businesses that have a direct impact on the state's economy. The Kentucky CDEs are a diverse group – a Louisville bank, a CDE serving low income regions of Appalachia, a CDE with a statewide service area – and they fund a wide array of projects. These projects range from small business development to real estate to community health care, and the Kentucky CDEs are active in both urban and rural low income communities. For example:

- Community Ventures Corporation, a CDE based in Lexington, is using \$1.25 million of its \$24 million Round I and III Credit allocation to enable a coffee company to purchase land in West Louisville, build a new 17,500 square foot facility, and renovate a 4,000 square foot structure. The new business site is located in a census tract where the poverty rate is 44.8%. This project has doubled the number of employees at the company, enabled it to develop new product lines, allowed it to start a new division to refurbish coffee brewing equipment, and even made possible the enhancement of its employee training program.
- Another Kentucky-based CDE, Kentucky Highlands Investment Corporation, was awarded \$22 million in New Markets Tax Credits in Round III. It plans to use its allocation to invest in health-related businesses and health care facilities throughout rural Eastern Kentucky where many counties are considered to be medically underserved. KHIC also partnered with Technology 2020 and received a Round I allocation to offer non-traditional investments in growing companies throughout Southern Appalachia. Through this partnership, KHIC and Technology 2020 have made 16 investments totaling \$4.2 million in 8 companies employing 159 individuals. In addition, as a Certified New Markets Venture Capital Company, the Southern Appalachian Fund was able to leverage additional equity capital and operational assistance for these growing businesses.
- Louisville Development Bancorp, the parent company of Louisville Community Development Bank, received a total allocation of \$70.5 million in Rounds II and III. It has closed a wide range of projects throughout Kentucky in economically distressed urban and rural neighborhoods. These transactions will build and rehabilitate nearly 318,000 square feet of space, create over 200 jobs, and increase Louisville's annual wage base by over \$6 million.

Story from the Field: Progress in the Gulf Coast After Hurricane Katrina

Last September, Hurricane Katrina wreaked havoc on the lives of millions of Americans living along the Gulf Coast. Over a thousand lives were lost, homes and communities were either severely damaged or destroyed, and the entire economy of the region was so devastated that many people believe it will take years for it to recover. On April 5, 2006, *The New York Times* reported that fewer than one in ten businesses have reopened in New Orleans since the hurricane. By comparison, approximately 40% of New Orleans residents have returned to their homes.

As a result of the economic devastation caused by Hurricane Katrina, Congress recognized that the New Markets Tax Credit can be an important tool in rebuilding the Gulf Coast region. In December 2005, President Bush signed into law the Gulf Opportunity Zone Act (P.L. 109-135), which provided an additional \$1 billion in New Markets Tax Credit volume for areas affected by Hurricane Katrina. On March 7, 2006 – less than ninety days after this legislation was enacted – the CDFI Fund announced its plans for awarding the first \$600 million in targeted Credits to CDEs working in qualified communities in the Gulf States. These allocations are expected to be awarded in June 2006.

The New Markets Tax Credit Program was designed to increase the flow of private sector investment capital into economically distressed urban and rural communities. These communities can be characterized as having high poverty, significant unemployment,



Capital One Photo

low levels of economic activity, and few services and facilities available to residents. Business projects in these communities have a myriad of hurdles that often prevent them from securing private financing. These barriers include low loan-to-value ratios, uncertain and transitional markets, owners with limited credit, and limited understanding on the part of investors of the business opportunities in these communities. Many of these communities have the potential for economic growth with the right blend of technical support and private sector investment. The problems facing communities in the Gulf Coast region are similar to that of other low income communities, but obviously much more intense.

It is worthwhile to note that even before the Gulf Opportunity Zone Act was enacted into law, CDEs and investors were using New Markets Tax Credits to stimulate the economy and promote business development in the Gulf Coast region. For example:

- The Liberty Bank and Trust Company was the recipient of a \$50 million Credit allocation in Round I. New Orleans-based Hibernia National Bank made a \$14 million Credit-investment in Liberty Bank and Trust, which provided financing for CG Railway, Inc. to construct a \$30 million rail facility for loading and unloading goods at the Port of New Orleans. The majority of Liberty Bank's NMTC allocation award is dedicated to financing small business and real estate projects concentrated entirely within the Orleans and Jefferson Parishes of Louisiana, which includes the City of New Orleans.
- Hibernia National Bank also has worked closely with Stonehenge Community Development, LLC by investing \$30 million in the Gulf Coast Recovery Fund. This Fund will invest in business finance and real estate projects in the hurricane-impacted areas of Louisiana, Texas, Mississippi, and Alabama. The Baton Rouge, Louisiana-based Stonehenge received a Round II allocation of \$127 million to provide non-conventional and flexible financing to qualified businesses.
- The Jackson, Mississippi-based Enterprise Corporation of the Delta (ECD) received a \$15 million Round I allocation to support business lending and development in Mississippi, Louisiana and Arkansas. ECD used the New Markets Tax Credit to finance the \$420,000 acquisition of an acute care hospital in Morton, Mississippi. The loan made it possible for this public 30-bed hospital to remain open and maintain 115 jobs.
- ECD also provided an \$82,500 Credit-backed loan to finance the start-up of Magee Gas Company, LLC, a propane gas delivery service in rural Lawrence County, Mississippi. The loan proceeds allowed the owner, a retired twenty-year employee of Chevron USA, to purchase a delivery truck, a bulk storage tank, and necessary start-up business inventory.

By quickly deploying the Credit to stimulate investments in businesses and development projects in New Orleans and throughout the Gulf Coast, the New Markets Tax Credit promises to be a vital tool in this region's redevelopment effort.

Fast Forward: NMTC One Year Later

The coalition's *2005 NMTC Progress Report* profiled eight Credit-financed projects. These projects were some of the first that were undertaken by Round I Allocatees. The following pages provide an update on how two of these transactions have progressed.

Fast Forward: The Bethel Center – Chicago, Illinois

Shortly after the May 2005 *New Markets Tax Credit: A Progress Report* was published, one of the projects that was profiled, The Bethel Center in Chicago, Illinois, was completed and open for business. The Center was partially funded from a \$4 million Round I New Markets Tax Credit allocation that its owner, the nationally-recognized faith-based community development corporation Bethel New Life, received in 2003.



Bethel Photo

Last year's report showcased some of the remarkable features of the Bethel Center. For example, a specially-constructed bridge connects the Center with a mass transit stop, which enables local residents to have convenient access to the employment and child care services Bethel offers. In addition, the Center is innovative in its incorporation of green technology to reduce its energy costs by as much as fifty percent.

Since the Bethel Center opened, economic benefits have begun to flow to the impoverished West Side neighborhoods of Chicago which it has served for over twenty-five years. All six of the Center's commercial storefronts are now occupied with such establishments as a Subway Restaurant, a satellite office of the Illinois State Attorney

General, a dry cleaning business, and a Westside Coffee Express. Two of the storefronts also house the Community Savings Center, an innovative partnership between Bethel New Life, Park Federal Savings Bank, and Thrivent Financial for Lutherans to offer affordable, flexible banking products to local residents as well as financial education courses and a matched savings account program.

In addition to the commercial activity, the Bethel Center's employment service facility is helping 350 individuals each month train for jobs and find work. Its child care program has begun to serve low income children as well. Sixty children already participate through the Head Start program, and this number is expected to double in the immediate future.

Fast Forward: Market Creek Plaza – San Diego, California

The May 2005 *New Markets Tax Credit: A Progress Report* profiled Clearinghouse CDFI's involvement in the transformation of a former aerospace factory into a commercial and cultural center called Market Street Plaza in San Diego, California. Clearinghouse CDFI used its Round I Credit allocation to make a \$15 million below-market interest loan to Market Street Partners LLC, which owns Market Street Plaza, for the development of the site.

Last year's report highlighted the involvement of the community in the project. Surveys were taken and workshops were held in which the local residents were able to weigh in on such issues as construction, marketing, business development and leasing, and even the works of art that Market Creek Plaza would showcase. To date, Market Creek Plaza has been a success, creating over 200 jobs and stimulating commercial activity in an economically distressed San Diego neighborhood.

Clearinghouse CDFI recently funded a second \$15 million Credit-backed loan on the site for the construction of a three-story, 75,000 square-foot office building and community center. The completion of this project will create an additional 150 permanent jobs. Furthermore, the below-market interest rate loans provided through the Credit is freeing up capital for the development of a mixed-use center adjacent to the Market Creek Plaza that will include 400 residential units and an additional 100,000 square feet of commercial space.

Recently, *The San Diego Business Journal* reported that community participation in Market Street Plaza is about to be taken to the next level. The Jacobs Center for Neighborhood Innovation, the owners of the property, has announced plans to sell as much as 60% of its ownership stake to the community's residents through a public offering. This offering, believed to be the first of its kind in the nation, was recently approved by the California Department of Corporations. Potential investors must live, work, or own a business within the low income community in order to purchase shares.

Enabling the residents to move "from being stakeholders to stockholders in the development of their community," as one observer noted, is one example of how the New Markets Tax Credit is empowering individuals to rebuild their neighborhoods.

Conclusion – and Update

Introduction

In the year since the Coalition's first *Progress Report*, the New Markets Tax Credit has gained attention as an important tool for revitalizing low income communities throughout the United States. Through the local, regional, and national press, as well as in trade journals and our own reports we are learning that a diverse range of Credit-financed projects are being finalized in urban and rural areas. These projects include community health centers, charter schools, child care centers, mixed-use developments, real estate, and small business expansions. Many of these transactions would have been "penciled out" under conventional financial analyses and underwriting standards had it not been for the New Markets Tax Credit. In fact, the Credit lowers the risk profile of potential deals, thereby facilitating the flow of private sector capital into very economically distressed neighborhoods.

The New Markets Tax Credit's greater visibility has made Washington policymakers more aware of the program's power to transform neighborhoods and create economic opportunities. In September 2005, for example, Senator Olympia Snowe (R-ME) and Representative Ron Lewis (R-KY) introduced bipartisan legislation (S. 1800, H.R. 3957) to extend the Credit for an additional five years (until 2012). In December, Congress identified the program as an important tool for the rebuilding of the Gulf Coast by providing an additional \$1 billion in New Markets Tax Credit volume for areas affected by Hurricane Katrina. In addition, as this report goes to press, a Senate provision to extend the Credit through 2008 is under consideration by a House-Senate conference committee on tax reconciliation.

What this Report Says ...

There is an identifiable trend from our first *Progress Report* in May 2005 to this year's report:

- First, the New Markets Tax Credit program is continuing to work at a faster pace than required by law or regulation. Reports from survey respondents in both reports indicate that CDEs are issuing Qualified Equity Investments (QEIs) at a rapid pace. *In fact, this 2006 report indicates that responding CDEs expect to have utilized at least 90% of its Credits by the end of this year, which means over \$ 2.7 billion in investments in low income communities.*
- Second, CDEs are responding to the economic development opportunities provided by the Credit. They are exceeding performance standards by moving aggressively to implement lending and investing programs that finance a range of projects and businesses in low income urban and rural communities. *Forty percent of the CDEs responding for this report even indicate that they convert their QEIs into loans and investments in low income communities within one week. Two-thirds will deploy proceeds from the Credit within 90 days.*
- Third, CDEs are targeting Credits to poorer communities than required by law or regulations. *CDEs surveyed in this report reveal that 96% of the businesses financed with the Credit are located in communities with more than one indicator of high economic distress that exceed the minimum required by law.*

This report also indicates a growing number and diversity of investors in the New Markets Tax Credit program. Of particular interest is the participation of unregulated financial institutions such as insurance companies. The essential paradigm of the Credit is that there are good business opportunities in low income communities and a modest federal tax credit can lure private sector investors into a “new market.” The report in fact found that such entities are investing in the Credit for that very reason.

Furthermore, the initial baseline for evaluating the success of the New Markets Tax Credit has always been its ability to attract capital into low income communities. The survey data gathered for our *Progress Reports* as well as the information collected by the Credit's administering agency, the Community Development Financial Institutions (CDFI) Fund, clearly indicate that the Credit is meeting that standard.

In the long run, however, the real test of the New Markets Tax Credit is whether it is actually helping to revitalize these targeted neighborhoods and communities. In other words, are the projects and developments financed with the Credit providing important services and opportunities to community residents? There is substantial evidence that such economic revitalization is occurring in low income urban and rural areas across the nation. As the project profiles revealed:

- In Iowa and Wisconsin, the Credit has filled an important financing gap. The credit needs of Omaha Standard in Council Bluffs, Iowa and Main Street Ingredients in La Crosse, Wisconsin had exceeded the capacity of local financial institutions. Using the Credit, however, these local businesses were able to reorganize and improve their operations, expand employment opportunities, and add to the local tax base.

- In California, the Credit is bringing resources to a vital and growing need for low income citizens and communities: access to primary and preventative health care. The Credit has helped to mobilize the interest of a new investor sector – insurance companies – which have invested some \$16.3 million for the financing of community health care centers throughout the Golden State. The results of this effort are still unfolding but the initial results are clear: increased and improved health care facilities and services for thousands of people living in low income communities.
- The flexibility of the Credit is evident in where it works as well. In a remote corner of Alaska, the Village of Tyonek uses the proceeds from an investment in the New Markets Tax Credits to finance an environmental clean-up company it owns. The investor is Wells Fargo, the New York City-based financial institution.
- In the poorest neighborhood in Washington, DC, the Credit is financing the first supermarket in decades. When the supermarket is completed, community residents will gain an important retail service and 300 jobs will be created in an economically distressed area.
- In Kentucky, CDEs are pursuing strategies that underlie the flexibility of the Credit: enterprise development, commercial real estate development, and improving health care facilities.
- Finally, in the Gulf Coast region, the New Markets Tax Credit is one of the financing tools that offer hope for the communities and families devastated by Hurricane Katrina. Credits already financing recovery efforts by restoring hospitals and financing business recovery in the Gulf Coast area.

These projects will have a lasting impact, as will the transactions we profiled in last year's report. For example, a New Markets Tax Credit project operating in a low income Chicago neighborhood is fostering small business growth, offering banking services to community residents, and providing an expanding program of Head Start services to neighborhood children. In San Diego as well, the renovation of Market Creek Plaza is now entering a new phase as the owner of the commercial center is offering to sell up to 60% of its stake in the project to community residents.

According to the Department of Treasury

On March 24, 2006, the Treasury Department released its initial report on transactions completed by New Markets Tax Credit Allocatees in 2004. The report found that almost \$1.3 billion was made available to businesses and development projects in low income communities as a result of the Credit. All of the loans and investments were made at better than market rates and terms. In addition, more than 90% of the financing was directed to communities that met two indicators of high economic distress that exceeded the minimum poverty standards required by law.

The report also noted that over \$300 million in Credit financing was directed to business investments, including fixed asset financing, working capital and facility expansion, and creating or maintaining 12,700 full time jobs. An additional \$850 million was directed to real estate projects in poor communities including community facilities and mixed-use developments. These projects created 49,000 construction jobs, reclaimed more than 11 million

square feet of community space, and developed or rehabilitated 1,100 housing units. A total of 18% of the transactions financed were located in non-metropolitan areas. The results realized by the Credit in this one-year window are therefore extremely impressive as well as diverse.

There has also been increasing activity in the investor market over the last year as interest and confidence in the Credit continues to grow. A total of \$8 billion in Credit allocations has been finalized to date. As of April 18, 2006, the U.S. Treasury Department reports that \$4.3 billion in new private capital has been raised from over 560 distinct investors. Furthermore, \$1.9 billion has been invested in New Markets Tax Credits since last October, thereby demonstrating the increasing momentum of the Credit in the market.

New Markets Tax Credit in the Media

In recent months, the New Markets Tax Credit has attracted substantial attention from the media. For example:

- *The New York Times* (1/25/06) reports “the New Markets Tax Credit program is helping to create jobs and revitalize streets and even entire downtowns. Projects large and small that most financial analysts agreed would have never come to fruition are taking shape because of credits worth \$500,000 to \$150 million.”
- *The St. Louis-Post Dispatch* (1/18/05) reports that the Credit is “helping convince Quick Study Radiology to move downtown ... St. Louis may set an example for the rest of the nation on using the Credit for small business.”
- *The Newark Star Ledger* (NJ) (1/5/06) profiles the success of the New Markets Tax Credit in financing the North Star charter school. The below market financing furnished by the Credit allowed the school to “lower the cost of the building per student from \$1,400 to \$300—thus leaving North Star with more money to spend on classroom instruction rather than real estate.”
- *The Journal Record* (OK) (9/27/05) notes the success of the Credit in financing the expansion of a manufacturing facility in rural southeast Oklahoma. The expansion will add 100,000 square feet of manufacturing space and increase the number of jobs from 88 to 158. According to the Journal, “Southeast Oklahoma is the area of the state most in need of jobs.”
- *The Cincinnati Post* (OH) (May 2005) remarks in an editorial about Uptown Consortium’s \$52 million Round III Credit allocation that “it will leverage as much as \$200 million worth of private development to continue the work that is already reshaping the area in and around the University of Cincinnati’s main campus.”

As the New Markets Tax Credit continues to unfold, there is every expectation that the pace of revitalization in low income communities will accelerate. The Credit is harnessing the combined talents of the public and private sectors to create jobs, foster entrepreneurialism, construct facilities, and even promote greater access to health care and education. Progress is being made, as the title of this report states, and it will continue into the future as CDEs and investors develop new and innovative ways to utilize this groundbreaking program.

Who is Talking About the NMTC in Washington?

President George W. Bush – Remarks to the 2004 National Urban League Conference 7/23/04

We've rewarded \$6 billion in new markets tax credits. Those are important. They promote economic and community development in low income areas. And when you do that, the spinoff is more ownership for businesses. When there's a vitality in a neighborhood that has been — that needed help, new businesses spring up. That's all part of a vital tomorrow. Our plan is to help people help themselves, is to create an environment where the entrepreneur can flourish.

John Snow, Secretary of the U.S. Department of the Treasury, Remarks at the Round III NMTC Allocation Award Ceremony 5/11/05

The NMTC program is an important community and economic development tool because it should stimulate job creation – and nothing is more important to our economy, to individuals, and to families than the creation of new jobs.

Statement of Honorable Olympia Snowe (R-ME) U.S. Senate Congressional Record 9/29/05

In its brief period of existence, the New Markets Tax Credit has had a tremendous success in strengthening and revitalizing communities. In Maine, Coastal Enterprises, Inc. issued a \$31.5 million long-term NMTC loan to Katahdin Forest Management, which provided additional working capital for two large pulp and paper mills. These investments resulted in the direct employment of 650 people and potential jobs for another 200. It is critical that Congress act to renew the New Markets Tax Credit. It is a modest incentive that clearly works for our most vulnerable communities.

The Honorable John Rockefeller (D-WV) Letter to Senators Grassley (R-IA) and Baucus (D-MT), Senate Finance Committee 4/7/06

The New Markets Tax Credit is making a real difference in harnessing the combined talents of the public and private sectors to create jobs, foster entrepreneurship, construct facilities, and even promote greater access to health care and education.

Honorable Ron Lewis (R-KY) Dear Colleague Letter to House Members 9/29/05

The NMTC has been a catalyst in attracting private sector capital to low income urban and rural communities. The NMTC is working. In my home state of Kentucky, NMTC helped establish health care businesses in isolated rural communities that lack access to adequate health care.

Appendices

Appendix A: New Markets Tax Credit Coalition NMTC Round I & II Allocatee Survey

Basic Information

Name of Allocatee: _____

Name of Parent/Controlling Entity: _____

Allocatee Service Area: _____

Contact Person and Title: _____

Telephone: _____

E-mail: _____

Date: _____

____ Please check here if you would like additional information about the NMTC Coalition.
Are you willing to engage in a follow-up phone interview after completing this written survey?
____ Yes ____ No

All of the data collected in Parts I-IV of this survey will be aggregated to illustrate how Round I & II Allocatees are using the NMTC to raise and deploy capital. None of the data reported in Parts I-IV will be attributed to a specific Allocatee.

Part V of the survey asks Allocatees to describe a specific project that has benefited from NMTC financing. The information collected in this section will be used to produce brief case studies illustrating specific transactions made possible with the Credit. Part V is the only portion of the survey where information collected may be attributed to a specific NMTC Allocatee.

Instructions and Tips for Completing the Survey:

1. Please respond to the following questions based solely on your Round I and/or Round II allocation awards, unless directed otherwise. The survey document has been formatted such that you can directly input your responses via computer, and then e-mail the completed survey back to us at jonathan@rapoza.org.
2. Most questions ask for information as of December 31, 2005. Three questions, however, ask you to provide estimates of activities projected for 2006.
3. You will find it easiest to complete the survey if you have the following documents in hand:
 - Round I and/or Round II Allocation Application;
 - Round I and/or Round II Allocation Agreement;
 - Transaction Level Reports submitted to the CDFI Fund.

Part I. Securing Investors and Issuing Qualified Equity Investments (QEIs) (Questions 1-5)

1. What is the total dollar amount of your NMTC Allocation award in Round I and/or Round II and on what date did you sign your Allocation Agreement(s)?

Round I: \$_____ million Date Allocation Agreement Signed _____

Round II: \$_____ million Date Allocation Agreement Signed _____

2. As of December 31, 2005, what was the total dollar amount of QEIs (Qualified Equity Investments) issued by your CDE?

Round I: \$_____

Round II: \$_____

3. As of December 31, 2005, what was the total dollar amount in QEIs legally committed but not made?

Round I: \$_____

Round II: \$_____

4. What is the total dollar amount of **additional** QEIs you anticipate issuing by December 31, 2006? This figure should reflect the total dollar amount of QEIs you anticipate issuing between January 1, 2006 and December 31, 2006.

Round I: \$_____

Round II: \$_____

5. Please indicate the types of institutions to which your CDE has issued QEIs. Check all that apply.

Regulated financial institutions

- a. _____ National bank
b. _____ Regional bank
c. _____ Local/community bank

Non-regulated financial institutions

- d. _____ Non-regulated financial services firm (e.g., GE Capital, GMAC, Bear Stearns, etc.)
e. _____ Insurance company
f. _____ Venture capital fund

Other institutions

- g. _____ Corporation (other than listed above)
h. _____ Individual
i. _____ Other – please specify _____

**Part II. Deploying Qualified Low Income Community Investments
(Questions 6-9)**

6. As of December 31, 2005, what was the number and total dollar amount of Qualified Low Income Community Investments (QLICIs) that you have deployed?

	# of QLICIs	\$ QLICIs
Round I:	_____	\$ _____
Round II:	_____	\$ _____

7. On average, how much time passes from when your CDE issues a QEI to when a QLICI is deployed?

- _____ Less than a week
- _____ 1 month or less
- _____ 1-3 months
- _____ 3-6 months
- _____ More than 6 months
- _____ Other – please specify _____

8. As of December 31, 2005, please indicate the types of QLICIs that were closed using your Round I and Round II Allocations?

Type of QLICI Transaction	ROUND I		ROUND II	
	Total number of transactions as of 12/31/2005	Total dollar amount of transactions as of 12/31/2005	Total number of transactions as of 12/31/2005	Total dollar amount of transactions as of 12/31/2005
Investments in non-real estate businesses*	_____	\$ _____	_____	\$ _____
Loans to non-real estate businesses*	_____	\$ _____	_____	\$ _____
Investments in real estate businesses*	_____ retail _____ office space _____ mixed-use _____ industrial/mfg _____ communtiy facility (Please break out below) _____ day care _____ health center _____ charter school _____ other: _____ _____ for-sale housing	\$ _____ retail \$ _____ office space \$ _____ mixed-use \$ _____ industrial/mfg \$ _____ communtiy facility (Please break out below) \$ _____ day care \$ _____ health center \$ _____ charter school \$ _____ other: _____ \$ _____ for-sale housing	_____ retail _____ office space _____ mixed-use _____ industrial/mfg _____ communtiy facility (Please break out below) _____ day care _____ health center _____ charter school _____ other: _____ _____ for-sale housing	\$ _____ retail \$ _____ office space \$ _____ mixed-use \$ _____ industrial/mfg \$ _____ communtiy facility (Please break out below) \$ _____ day care \$ _____ health center \$ _____ charter school \$ _____ other: _____ _____ for-sale housing
Loans to real estate businesses*	_____ retail _____ office space _____ mixed-use _____ industrial/mfg _____ communtiy facility (Please break out below) _____ day care _____ health center _____ charter school _____ other: _____ _____ for-sale housing	\$ _____ retail \$ _____ office space \$ _____ mixed-use \$ _____ industrial/mfg \$ _____ communtiy facility (Please break out below) \$ _____ day care \$ _____ health center \$ _____ charter school \$ _____ other: _____ \$ _____ for-sale housing	_____ retail _____ office space _____ mixed-use _____ industrial/mfg _____ communtiy facility (Please break out below) _____ day care _____ health center _____ charter school _____ other: _____ _____ for-sale housing	\$ _____ retail \$ _____ office space \$ _____ mixed-use \$ _____ industrial/mfg \$ _____ communtiy facility (Please break out below) \$ _____ day care \$ _____ health center \$ _____ charter school \$ _____ other: _____ _____ for-sale housing
Loans to other CDEs	_____	\$ _____	_____	\$ _____
Investments in other CDEs	_____	\$ _____	_____	\$ _____
Loan Purchases from other CDEs	_____	\$ _____	_____	\$ _____
Financial Counseling and other Services	_____	\$ _____	_____	\$ _____

* The CDFI Fund defines a real estate business as a business that is principally engaged in the development of a specific real estate project or projects. Investments in real estate businesses (development, management or other) in support of their business operations, as opposed to a specific project or projects, are considered non-real estate business transactions.

NMTC Coalition Survey of Round I NMTC Allocatees

Please Complete and Return via fax or email by Friday, November 19, 2004

Fax (202) 393-3034

Email Siggy@Rapoza.org

9. As of December 31, 2005, what was the total **number** of QLICIs that you made in each of the following economically distressed or otherwise underserved communities? *Note: The CDFI Fund's Transaction Level Report requires this documentation and we recognize that more than one category may be checked for a single transaction.*

Round I	Round II	Type of Economically Distressed Area
_____	_____	Poverty rates > 30%
_____	_____	Median incomes < 60%
_____	_____	Unemployment ≥ 1.5 times the national average
_____	_____	Federally designated EZ, EC, or RC
_____	_____	SBA designated HUB Zones
_____	_____	Brownfields redevelopment areas
_____	_____	Areas encompassed by a HOPE VI redevelopment plan
_____	_____	Federally designated Native American, Alaskan Native area, Hawaiian Homelands, or Tribal area
_____	_____	Area designated as distressed by the Appalachian Regional Commission or the Delta Regional Authority
_____	_____	Colonias areas as designated by HUD
_____	_____	Federally designated medically underserved areas
_____	_____	CDFI Hot Zone
_____	_____	High migration rural county
_____	_____	State or local tax increment financing districts, EZs or other locally designated areas of distress

What percentage of your total **number** of Qualified Low Income Community Investments (QLICIs) were used to finance activities in one or more of the economically distressed areas identified above?

Round I _____ %
 Round II _____ %

Part III: Pipeline of Qualified Low Income Community Investments (Question 10)

Please answer the following question based on your current project pipeline and your experience to date in terms of deploying QLICIs. This question is designed to demonstrate the demand for NMTC financing.

10. What is the total number and dollar amount of transactions in your pipeline that you anticipate closing between January 1, 2006 and December 31, 2006?

	# of QLICIs	\$ QLICIs
Round I:	_____	\$ _____
Round II:	_____	\$ _____

Appendix B: A New Markets Tax Credit Timeline

2000	
December	<ul style="list-style-type: none"> ■ NMTC Program signed into law as part of the Community Renewal Tax Relief Act of 2004 (PL 105-554)
2001	
December	<ul style="list-style-type: none"> ■ IRS releases temporary NMTC regulations ■ CDFI Fund issues CDE certification application
2002	
October	<ul style="list-style-type: none"> ■ First-round allocation applications submitted to CDFI Fund with a \$26 billion demand for \$2.5 billion in available allocations
2003	
March	<ul style="list-style-type: none"> ■ CDFI Fund awards \$2.5 billion in first-round allocations
October	<ul style="list-style-type: none"> ■ Second-round allocation applications submitted to CDFI Fund with a \$30 billion demand for \$3.5 billion in available allocations
November/ December	<ul style="list-style-type: none"> ■ First-round allocation agreements signed
2004	
March	<ul style="list-style-type: none"> ■ IRS releases revised temporary NMTC regulations
May	<ul style="list-style-type: none"> ■ CDFI Fund awards \$3.5 billion in second-round allocations
October	<ul style="list-style-type: none"> ■ Corporate Tax Bill (HR 4520) passed with NMTC amendments allowing the targeting of low income communities by place and population ■ Third-round allocation applications submitted to CDFI Fund with a \$23 billion demand for \$2 billion in available allocations
Fall/Winter	<ul style="list-style-type: none"> ■ Second-round allocation agreements signed
December	<ul style="list-style-type: none"> ■ IRS releases final NMTC regulations
2005	
March	<ul style="list-style-type: none"> ■ CDFI Fund announces \$2 billion in QEIs were issued by first- and second-round allocatees
July	<ul style="list-style-type: none"> ■ CDFI Fund awards \$2 billion in third-round allocations
Fall/Winter	<ul style="list-style-type: none"> ■ Third-round allocation agreements signed
December	<ul style="list-style-type: none"> ■ President Bush signs into law the Gulf Opportunity Zone Act (P.L. 109-135), which provides an additional \$1 billion in New Markets Tax Credit volume for areas affected by Hurricane Katrina
2006	
March	<ul style="list-style-type: none"> ■ CDFI Fund announces its plans for awarding the first \$600 million in targeted Credits to CDEs working in qualified communities in the Gulf Opportunity Zone
June	<ul style="list-style-type: none"> ■ CDFI Fund expected to release \$3.5 billion in fourth-round allocations and \$600 million in Credits for the Gulf Opportunity Zone

NEW MARKETS TAX CREDIT COALITION

Who We Are

The New Markets Tax Coalition's (NMTC Coalition) mission is to ensure that the New Markets Tax Credit can effectively be used to attract private capital and generate economic development in poor communities.

The NMTC Coalition was formed in 1998 with the principal purpose of advocating for the enactment of a federal tax credit to spur economic development.

The New Markets Tax Credit was passed into law in 2000 as part of the Community Renewal Tax Relief Act of 2000 and promises to spur some \$15 billion in investments to promote economic development in rural and urban low income communities. The NMTC Coalition helped craft the NMTC initiative and was its principal advocate, pressing the White House and bipartisan Congressional leaders to enact the Credit.

Since the Credit became law, the NMTC Coalition has worked with the Administration on implementation of the credit and has established itself as the principal policy voice for the NMTC in Washington. The Coalition works closely with the Department of Treasury – with the Internal Revenue Service, the Office of Tax Policy, and the Community Development Financial Institutions Fund – to ensure that CDEs have a voice in the issuing of rulings and regulation on the Credit.

The NMTC Coalition also works to foster support for the NMTC in Congress. The Coalition has been the leading advocate for the NMTC in Washington and has taken the lead on advancing legislation to strengthen and protect the Credit.

The NMTC Coalition brings together community development professionals, the nation's leading experts on tax-advantaged community development investments and investors all committed to the success of the NMTC.

Rapoza Associates, a public interest government relations firm with a proven track record in housing and economic development, helped organize the NMTC Coalition and serves as its staff.

For more information on the NMTC Coalition, please visit our website at:

www.newmarketstaxcreditcoalition.org

Why Join

NMTC Listserv and Website

Membership in the NMTC Coalition will ensure that you are on top of changing developments. The NMTC Coalition sponsors a listserv designed to facilitate the timely distribution of policy and program information on the NMTC, update members on legislative initiatives, as well as on IRS and CDFI regulations and guidance, and encourage dialogue and the sharing of information among NMTC Coalition members. The NMTC Coalition's electronic newsletter, the *NMTC Bulletin*, is also distributed through the listserv. In addition, the Coalition maintains a website through which members can access valuable NMTC information.

Networking

Membership in the NMTC Coalition provides an ideal way to discuss investment opportunities, develop partnerships with NMTC investors and Community Development Entities, and learn from your peers and other experts in the field.

NMTC Conferences

As a NMTC Coalition member, you will have an opportunity to join veteran community developers, investors, policymakers, and others at the Coalition's annual conference – and as a member you attend for free. You will learn about innovative NMTC applications and meet practitioners and investors from across the nation. In addition, the Coalition convenes policy conferences in Washington - providing members an opportunity to engage with key Administration officials and keep Members of Congress briefed on NMTC activities in their districts.

Influencing Policy

The NMTC Coalition is recognized as the leading policy voice on the NMTC. By joining the NMTC Coalition you will not only be kept in the loop on the latest legislative and regulatory actions, you will also be assured of having a voice in developing policy positions and communicating them to key Administration and Congressional leaders who oversee the program.

Who Should Join

If you are a CDE or community development organization seeking CDE status, a current or potential investor in community development, a local public official looking for strategies to revitalize an inner city or rural community, or otherwise interested in strategies to increase private-sector investment in low-income communities, you will want to be a part of the NMTC Coalition.

To join please complete the membership form on the back. =>

BOARD OF DIRECTORS

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APPLICATION FORM

To join the NMTC Coalition please complete the following form and return it with your check made out to the New Market Tax Credit Coalition.

Name: _____

Title: _____

Company: _____

Address: _____

Phone: _____

Fax: _____

Email: _____

Annual Membership Fee:

Non-profit Organizations..... \$500
For-profit Organizations..... \$1000

Return a completed form and a check to:

New Markets Tax Credit Coalition
1250 Eye Street, NW, Suite 902
Washington, DC 20005

Call us at (202) 393-5225 if you have questions.

New Markets Tax Credit Coalition

1250 Eye Street NW, Suite 902

Washington, DC 20005

(202) 393-5225

(202) 393-3034 fax

www.newmarketstaxcreditcoalition.org