

NEW MARKETS TAX CREDIT COALITION

February 8, 2011

To the Editor, CBS News:

By following the lead of Bloomberg Markets reporting on the New Markets Tax Credit, CBS News, in its report tonight, made substantial errors and missed important facts about the program. This reporting does not provide the viewer with an accurate picture of the New Markets program.

Both CBS and Bloomberg contend that the individual poverty rate, which is one of the standards used to determine eligibility under New Markets, includes the counting of students and others in similar living situations. According to CBS and Bloomberg, use of this standard inflates the poverty rate in certain communities that would otherwise not be eligible for the program.

It is important to note that the individual poverty rate is the standard for many federal community development programs because it is a more definitive count of the number of people in a community actually living in poverty. According to the US Census Bureau, students and others living in similar circumstances are not included in the determination of the individual poverty rate for a community. In our view, this is a significant error in both reports and undermines the contention that billions of dollars have gone to communities that are really not poor but only technically eligible.

CBS and Bloomberg make much of the absence of NMTC projects in the economically distressed west side of Chicago. Yet, a Chicago-based organization is providing \$12 million of NMTC allocation for an expansion of a community-based health center creating over 100 new permanent jobs within three blocks of St. Agatha's church in the North Lawndale community on Chicago's west side.

In the period of 2003-2009, New Markets spurred some \$50 billion in investments in 3,000 businesses and projects. Of that amount 90%, or \$45 billion, went to communities with high distress – poverty rates above 30%, median incomes at 60% of median or below or unemployment rates at least 1.5 times the national average. Only 5% of the financing went hotels and related facilities. So the Blackstone, a hotel in a community with a poverty rate of only 26%, in terms of the project and community profile, is not typical.

With \$50 billion in new investments, New Markets is a job generator. An estimated 500,000 jobs have been created or retained through New Markets investments in businesses and development projects in communities with high rates of unemployment and other factors of economic distress. While most of these are commercial and industrial facilities, community

facilities, mixed use projects and business loans, a limited number are hotels and museums, which many economic development experts believe are 'on-ramps' to jobs for lower skill workers. Jobs are vital to rebuilding low income neighborhoods, particularly in the current economy.

There is substantial evidence that the New Markets program is working. According to the Government Accountability Office (GAO) the Credit is an effective incentive for spurring long term investment in low income areas. There is little question that the community facility in Southeast Washington profiled by CBS, the expansion of a factory in rural Oklahoma or the financing of an environmental remediation business in Alaska would not have happened were it not for the private sector capital generated by New Markets.

Robert Rapoza

Case studies and more key findings in the NMTC Coalition's 10th Anniversary Report can be found [here](#).