NEW MARKETS
TAX CREDIT COALITION

NEW MARKETS TAX CREDIT PROGRESS REPORT

2019

nmtccoalition.org/progress-report

The NMTC Coalition's annual report on the loans, investments, and community impact of the New Markets Tax Credit.

NEW MARKETS TAX CREDIT COALITION

1155 15th Street NW, Suite 400 • Washington, DC 20005
(202) 204-4500 • (202) 393-3034 fax • www.nmtccoalition.org • @nmtccoalition
Rapoza Associates prepared this report for the New Markets Tax Credit Coalition.

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

NMTC EXTENSION CAMPAIGN

The New Markets Tax Credit expires December 31, 2019. The bipartisan New Markets Tax Credit Extension Act of 2019 (H.R. 1680 and S. 850) would extend the program indefinitely and expand both the allocation level and investor base.

S. 750

Introduced by Senators Roy Blunt (R-MO) and Ben Cardin (D-MD). Twenty-nine cosponsors as of 7/15/2019

H.R. 1680

Introduced by Representatives Terri Sewell (D-AL) and Tom Reed (R-NY). Ninetycosponsors as of 7/15/2019.

NMTC COALITION BOARD OF DIRECTORS

THE FOLLOWING PROVIDED GENEROUS FINANCIAL SUPPORT FOR THIS PUBLICATION:

Applegate & Thorne-Thomsen, P.C.
Baker Tilly Capital, LLC
Butler Snow LLP
Capital One
Chase
Dakotas America
Dentons US LLP
Future Unlimited Law PC
Ginsberg Jacobs LLC
Holland & Knight LLP
Kutak Rock LLP
Leverage Law Group LLC
Mascoma Community Development
Nelson & Nelson PLLC
Stonehenge Capital
Wesbanco Bank, Inc.

Cover image: The DeSoto Club House, part of the Boys and Girls Clubs of Manatee County. Profiled later in the report.

2019 NMTC PROGRESS REPORT

A report by the New Markets Tax Credit Coalition

Guardian Angel Settlement Association (GASA) used NMTC financing to support the development of a new Social Services Center at 3300 South Jefferson in the Benton Park neighborhood. The property will transform from a blighted, unused building into a valuable and vibrant community resource. The new Center will significantly expand the capacity of their programming, resulting in an increase in the number of clients served from approximately 2,000 people per year currently to over 3,000 people per year, once the project is completed.

VOICES FROM THE COMMUNITY

"This is fantastic news for [Guardian Angel Settlement Associate]," said Otis Williams, St. Louis Development Corporation's executive director. "New Markets Tax Credits have been a tremendous tool for us as we seek to redevelop and strengthen the City's low-income neighborhoods."

INTRODUCTION

The 2019 New Markets Tax Credit (NMTC) Progress Report was prepared for the NMTC Coalition, a national membership organization of Community Development Entities (CDEs) and investors organized to advocate on behalf of the NMTC. Every year since 2005, the NMTC Coalition has surveyed CDEs on their work delivering billions of dollars to businesses, creating jobs, and rejuvenating the parts of the country that have been left behind. Our annual NMTC Progress Report presents the findings of the CDE survey and provides policymakers and practitioners with the latest trends and successes of the NMTC.

More than seventy CDEs participated in the survey, and their data was supplemented by publicly available NMTC transaction data.

The 2018 survey findings show that competition for credits continues to drive gains in efficiency. When Congress enacted the NMTC, the purpose of the program was simple: to deliver private-sector investment to low-income communities. Nearly two decades later, the NMTC has unleashed an unprecedented amount of investment in areas struggling with high unemployment and poverty, but more than that, it has created economic opportunity in every corner of the nation.

WHAT'S NEW

- Data on small business loan funds
- Data on the number of people served by a variety of community facility projects
- Data on NMTC utilization in native and tribal lands
- A deeper dive into multi-component projects

A WORD ABOUT OUR METHODOLOGY

This report combines multiple data sources on 2018 NMTC projects.

The primary source is survey data from 74 CDEs and a supplemental survey on small business loan funds. We supplement that data with extensive online research on projects by every CDE with NMTC allocation available in 2018. This year, for the first time, we also integrated data from the Office of the Comptroller of Currency's National Bank Public Welfare Investment Authority.

For the first time, we asked CDEs to quantify the number of people impacted by their projects. For example, a daycare facility might serve 200 children annually. We supplemented that data with data from QALICB Annual Reports and in several cases, approximation using conservative assumptions.

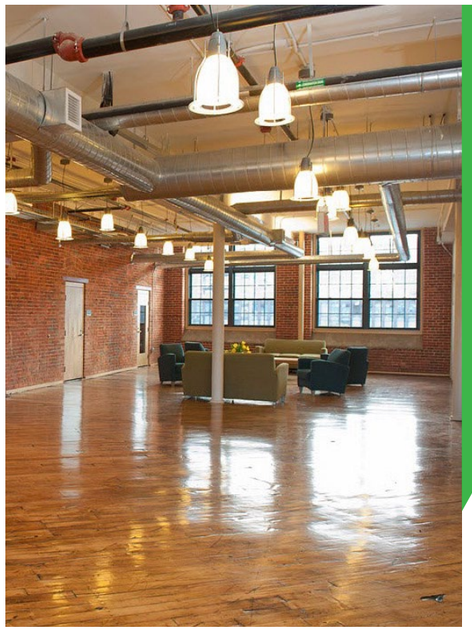
No NMTC project is the same, but the majority of projects involve the construction or rehabilitation of commercial real estate. In 2018, a majority of the projects also included multiple discrete components. For example, a CDE might finance real estate with low or no-cost space for a mix of five small businesses and nonprofit service providers. To determine tenant businesses and nonprofits for real estate projects, we used a variety of online sources, including websites for the QALICB and data from Loopnet, a commercial real estate listing website.

To the best of our ability, we separated out the 286 projects into 554 component parts to determine the full extent of their impact.

CITIZENS OF THE WORLD LOS ANGELES-SILVER LAKE

The NMTC financed new construction of Citizens of the World Los Angeles-Silver Lake, a free public charter school committed to socio-economic, cultural and racial diversity.

2018 BY THE NUMBERS



PROJECTS

NMTC financing helped 286 projects move forward in 48 states, Puerto Rico, and the District of Columbia. Investments ranged in size from a $50,000 investment in an urban farming program to a $47.7 million low-cost loan to a multi-purpose social service campus for children.

INVESTMENT

CDEs used $3.2 billion in NMTC allocation to deliver $6.1 billion in total project investment to low-income communities.

[1] SCORE CDE used the returns from an NMTC allocation to provide grants to community-based organizations

58.3K JOBS

Including 32,917 permanent full-time-equivalent (FTE) jobs, and 25,443 construction jobs.

18.9M SQ. FT. OF SPACE

rehabbed or constructed thanks to NMTC financing.

4 MILLION PEOPLE SERVED

by NMTC-financed community facilities, including 445k patients in healthcare facilities and 460k children.

193 MANUFACTURING BUSINESSES

supported through new facilities and business incubators, creating 12,090 FTE manufacturing jobs.

20 PERCENT OF PROJECTS IN NON-METRO

counties and an additional 9 percent of projects in rural areas in metro counties.

55 HEALTHCARE FACILITIES

financed by the NMTC in 2018, including two-dozen FQHCs and multiple substance abuse treatment centers.

ABOUT THE NMTC

AFTER DECADES OF CUTS TO COMMUNITY DEVELOPMENT GRANT PROGRAMS, COMMUNITIES INCREASINGLY COUNT ON THE NEW MARKETS TAX CREDIT TO MAKE IMPORTANT INVESTMENTS POSSIBLE

The New Markets Tax Credit (NMTC) is an important source of financing for businesses and community facilities in America's most distressed rural and urban communities. Congress authorized the NMTC in 2000 to bring down the cost of capital in communities outside of the economic mainstream. Taxpayers receive a 39 percent tax credit (taken over seven years) for qualified investments into Community Development Entities (CDEs), organizations with a track record of loans and investments in underserved areas. CDEs use the proceeds of those investments to finance business expansions, community facilities, and other projects prioritized by communities.

ECONOMIC IMPACT (2003-2018)

CREATING JOBS

The NMTC has delivered $95 billion in total project financing to nearly 6,000 projects creating 1,000,000 jobs at a cost to the federal government of less than $20,000 per job.

JUMP-STARTING MANUFACTURING

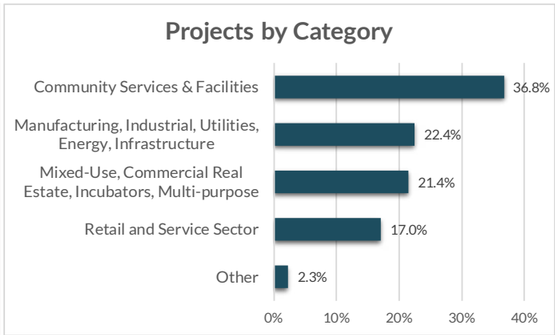
From the outfitting of maker-spaces to the construction of large plants, the NMTC provides nearly $1 billion annually to manufacturing & industrial facilities.

ENHANCING SERVICES

Over one-third of NMTC financing goes to YMCAs, hospitals, childcare centers, nonprofits, arts & cultural amenities, & other facilities vital to healthy communities.

INDEPENDENT EVALUATION

An independent compliance review by Summit Consulting found that program participants are significantly lowering the cost of capital for borrowers in low-income communities and exceeding statutory and regulatory requirements for the targeting of economic distress.



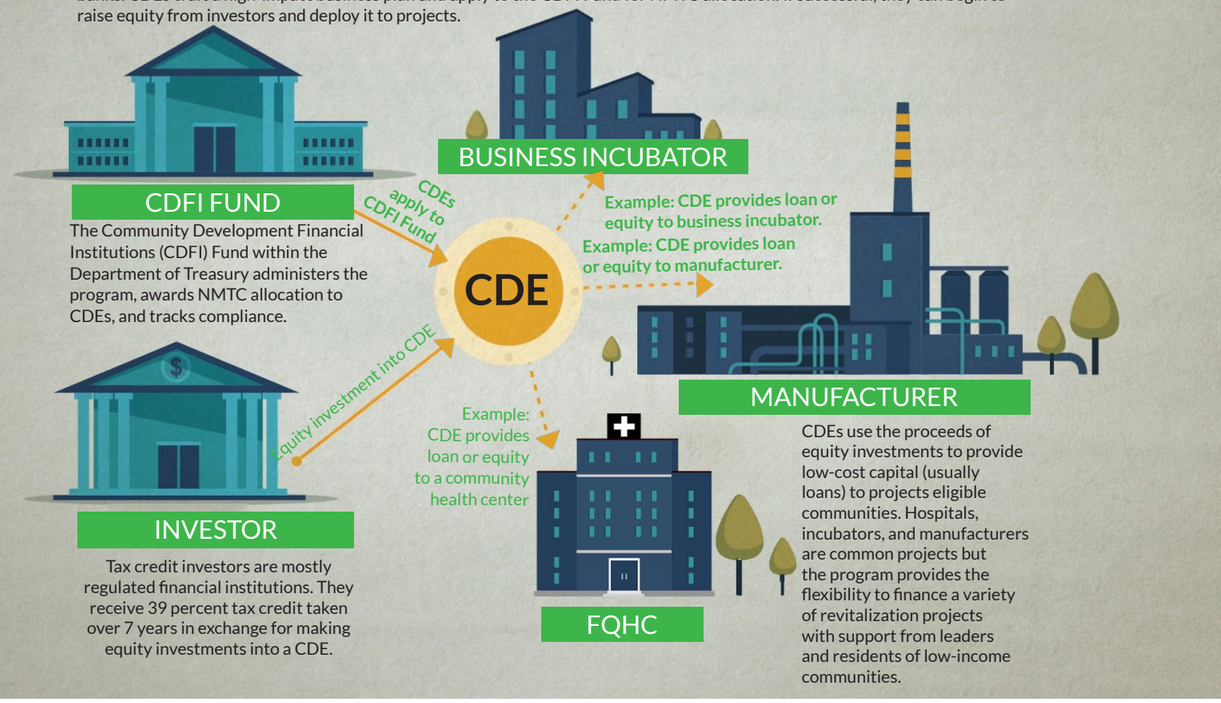
VOICES FROM THE COMMUNITY

"NMTC is a vital program generating private sector investment into highly distressed areas in low-income communities. Every $1 of federal money generates an additional $8 in private investment. The NMTC creates quality jobs for low income residents that provides good, living wages and benefits. Since our first allocation award in the 2015-2016 Round, Central States has used $65 million in NMTC allocation to finance 15 NMTC projects amounting to over $226.6 million in total project costs, creating 3,069 jobs. These investments were made in areas where bankruptcy rates are 25 percent higher than national norms, low wage jobs account for more than 10 percent more of the job pool, and access to capital is up to 17.6 percent lower for small businesses. "
-Brian Hollenback, Central States Development Partners, Inc.

HOW IT WORKS

MOBILIZING CAPITAL FOR HIGH-IMPACT PROJECTS

At the center of the NMTC program are Community Development Entities (CDEs). A CDE must be a domestic corporation, have a demonstrated mission of serving or providing capital to low-income communities or people, and maintain accountability to residents of low-income communities through representation on a governing or advisory board. Most CDEs are affiliates of mission-driven organizations like CDFIs, for-profit entities, community development corporations, government entities, or banks. CDEs craft a high-impact business plan and apply to the CDFI Fund for NMTC allocation. If successful, they can begin to raise equity from investors and deploy it to projects.



ADDRESSING THE CAPITAL GAP IN DISTRESSED COMMUNITIES

The NMTC provides gap financing, allowing investment to flow to areas underserved by conventional lenders, investors and firms often lack sufficient data to assess property value or consumer demand in low-income communities, where informal economies distort data. The capital gap deprives businesses of the investment dollars needed to set up shop and expand, and it prevents communities from financing new healthcare facilities, community centers, and cultural amenities.

Example: Imagine a nonprofit needs $15 million to construct a new facility and to meet growing demand, but they can only secure a combination of $12 million from donors and conventional lendors. The NMTC fills the $3 million gap and makes the expansion possible.

$15 MILLION TOTAL PROJECT COST

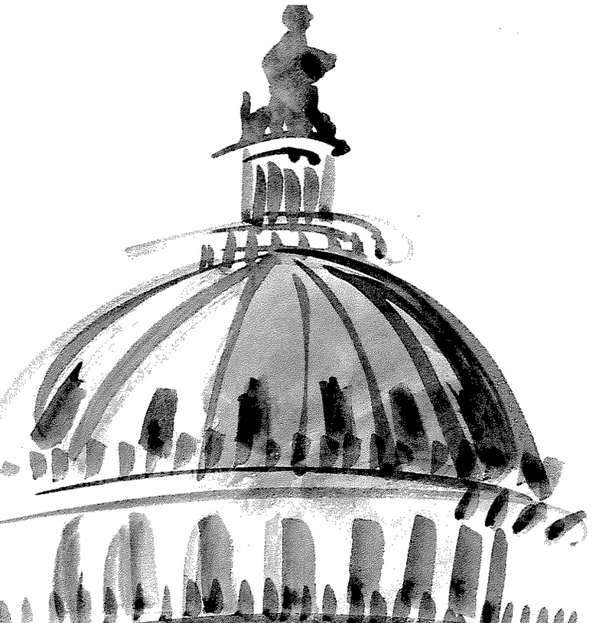
$12 MILLION IN CONVENTIONAL FINANCING	$3 MILLION GAP

NEW CONGRESS, NEW OPPORTUNITIES

— BOB RAPOZA

Above: Senator Rob Portman (R-OH) visits the NMTC-financed Ronald McDonald House of Akron in April of 2018.

Congress established the New Markets Tax Credit in 2000 as part of the Community Renewal Tax Relief Act (106-554). In the intervening years, the 108th Congress, the 109th Congress, the 110th Congress, the 111th Congress, the 112th Congress, the 113th Congress, and the 114th Congress extended or otherwise increased NMTC credit authority. In other words, Congress - regardless of which party controlled the House, the Senate or the White House has never failed to extend the NMTC when the authority for the Credit was about to expire, or had recently expired. With the Credit is expiring at the end of 2019, the New Markets Tax Credit Coalition, its members and supporters are working to keep that record perfect.



In January, the 116th Congress took office with the Democrats in the majority for the first time since 2010 and the Republicans in continued control of the Senate. With tax reform in the rearview mirror, Members of both parties have an opportunity to take a fresh look at tax incentives.

In the House, the foremost Democratic leader for the NMTC, Richard Neal (D-MA), is now the Chairman of the Ways and Means Committee. In the Senate, Charles Grassley, who support an NMTC extension when he previously chaired the Finance Committee, returns to the Chairmanship.

NMTC extension bills in the House and Senate are proceeding apace. The New Markets Tax Credit Extension Act of 2019 – H.R. 1680, led by Reps. Terri Sewell (D-AL) and Tom Reed (R-NY), and S. 750, led by Sens. Roy Blunt (R-MO) and Ben Cardin (D-MD), both have strong bipartisan support with a majority of both the Ways and Means Committee and Senate Finance Committee as sponsors. In the last Congress, there were 103 cosponsors of the House NMTC bill, only six months into the session there are already over 90 on HR 1680; the Senate version had a total 21 cosponsors last time around, there are now 29 cosponsors of S. 750.

[1] House Better Way Blueprint, June 2016

In June, the House Ways and Means marked up H.R. 3301, the Taxpayer Certainty and Disaster Tax Relief Act of 2019, which included extensions of some 40 temporary tax provisions. Credits that expired in 2017, 2018 and 2019 were all extended through 2020. For NMTC, HR 3301 provided a one-year extension, along with a $1.5 billion increase in credit authority to $5 billion.

In the Senate, Senate Grassley has convened several task forces aimed at assessing and recommending policy on the temporary provisions. The task force on Employment and Community Development is chaired by Sens. Rob Portman (R-OH) and Maria Cantwell (D-WA); both are original cosponsors of S.750. Of the seven members on the task force, five are cosponsors of S. 750, including Portman, Cantwell, Cardin, Scott (R-SC), and Cortez-Masto (D-NV).

The process now employed by Sen. Grassley is similar to that used in 2015 by then-Chairman Senator Orrin Hatch (R-NV), which ultimately led to the enactment of the PATH Act, and extended NMTC for five years.

While the Committees are moving forward, it is against a backdrop of confusion and disagreement on federal spending issues. Neither the House nor Senate approved a budget resolution, the blueprint for federal spending and tax policy, for the upcoming fiscal year, 2020. The House simply deemed a number for discretionary spending that exceeded the so-called sequester levels established by the Budget Control Act of 2011 and the Fiscal Year (FY) 2019 spending totals by over $170 billion. The Senate, hoping for an overarching agreement between the House, Senate, and White House has not acted on setting a topline number of domestic or discretionary defense spending. As this report goes to print, we are less than three months away from the end of the current fiscal year. And, a few weeks after that, the statutory debt limit, is set to expire.

Administration negotiators have offered a one-year Continuing Resolution (CR), which sets spending at the FY 19 rate, along with a new debt limit as a way to end the impasse. Most recently, that proposal has been met with stiff opposition from more than a dozen Republican Senators who are concerned that defense needs more than the current rate of spending.

Unless and until a budget and debt ceiling compromised is reached, tax extender legislation is unlikely to make it to the floor; even then, obstacles await. When the new House came took office, it adopted a rule called: PAYGO, which requires increases in entitlement spending – think Food Stamps or Medicare – or new reduction in tax revenue – think the NMTC – to be offset or paid for—by other changes in law or increases in tax revenue. When Republicans controlled the House, the rule was not in place, and tax cuts did not have to be paid for. The cost for neither the PATH Act ($720 billion revenue loss) nor the Tax Cut and Jobs Act ($1.5 trillion in revenue loss) were offset by other revenue raisers. Having to comply with PAYGO made the task of assembling the HR 3301 more difficult and limited the maneuvering room the Ways and Means Committee to extend credits like the NMTC.

The Senate does not have a PAYGO, and if House and Senate tax bill managed to get on and off the floor and into the conference, that will be one more potential monkey wrench.

In the end, the biggest threat to the extension of the NMTC is the inability of Washington to act. The administration and Congress have seldom found a way to work together. It is likely it will take the remainder of 2019 to reach agreement on spending and tax issues. In the meantime, we intend to keep at it, to add cosponsors to House and Senate legislation, to shine a spotlight on the success of this credit and to stay close to our friends and supporters in Congress.

2019 NMTC Projects

In the Pipeline

Ribbon cuttings and projects financed in 2019 as this report goes to press

In June of 2019, the CDFI Fund awarded $3.5B in NMTC allocation, but dozens of projects were financed in the winter and spring by CDEs with allocation remaining from their previous awards. Below are a few examples:

Santa Barbara Rescue Mission, Santa Barbara, CA
NMTC financing helped renovate one of the largest providers of homeless housing and services in the Santa Barbara area – the Santa Barbara Rescue Mission. Once renovated, this organization is projected to better serve an estimated 1,600 unique low-income individuals annually.

Prince Avenue Market, Athens, GA
Prince Avenue Market is the new construction of a four-story, mixed-use building with 20,500 square feet of retail and commercial space and 34 homes in Athens, Georgia. The retail space is anchored by the first full-service urban grocery store in the area, providing much needed access to affordable fresh food. The project is part of a larger multi-phase development and adaptive reuse of the former St. Joseph's Catholic Church adjacent and surrounding properties.

CASA de Maryland, Baltimore, MD
CASA de Maryland broke ground in the spring of 2019 its second NMTC project, the $14 million renovation of the former Belnord Theater into an employment center for immigrant and minority city residents. Services will be significantly expanded, allowing CASA to serve an additional 7,000 low-income residents annually, for a total of 11,000 a year.

Caritas Healing Place Richmond, VA

Financing for the rehabilitation of the vacant Philip Morris Blended Leaf Complex in downtown Richmond, VA nto a new headquarters for Congregations Around Richmond To Assure Shelter (CARITAS). Once complete, the former tobacco processing warehouse will become a center of support and recovery for those experiencing homelessness and battling addiction or substance use disorders.

Responsive Surface Technology Atlanta, GA

Responsive Surface Technology, an Atlanta-based Smart Bed and sleep technology innovator, received NMTC financing enabling the company to expand its marketing and research efforts and also help it open its first company-owned store in West Midtown.

VOICES FROM THE COMMUNITY

"Finally, clients can find recovery in a setting that matches the level of care we give them."
-L.B. Chandler, Director of the Mens Program at the Santa Barbara Rescue Mission

2018 NMTC Projects

2018 NMTC Project Highlights

The NMTC Coalition surveys all CDEs that have won NMTC allocation - past and present - on their loans, investments, and financial services.

The Hatchery in Chicago, IL involved the construction of a new 67,000 square foot micro business food incubation center. The project is a single story structure that will include private work spaces and food production quarters, collaborative workspaces, common dry/cold storage areas, shipping and common kitchens for local start-ups and developing food companies alike.

Jobs and Investment

- 286 projects totalling $6.1 billion received $3.2 billion in NMTC allocation
- CDEs created 58,360 jobs in 2018, including 32,917 full-time equivalent jobs and 25,443 temporary construction jobs

Areas Targeted

- 48 states and territories
- Nearly 80 percent of projects were located in severely distressed communities and 20 percent were in non-metropolitan counties with an additional 9 percent in rural areas of metropolitan counties.
- NMTC financing supported the construction or renovation of 18.9 million square feet of real estate and the construction of 848 affordable housing units.

Project Types

- Manufacturing was the most popular use of NMTC allocation (21.4 percent of 2018 Qualified Low-Income Community Investments) followed by childcare and youth services (15.6 percent), mixed-use (14.1 percent) and healthcare (13.6 percent).

Components of Projects

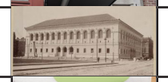
- NMTC financing supported 193 manufacturing and industrial businesses with working capital, new equipment, and 6.7 million sq. ft. of new space, often through incubators and multi-business facilities.
- The NMTC expanded healthcare, recreational options, food security, job training, and other social services for 4 million individuals, including 445k patients in healthcare facities and 460k children in childcare, schools, recreational facilities, mentorship programs, and other youth-related social services.
- Sixty-six percent of projects included at least one community facility, nonprofit, or social service component. Those new community resources add up to 249 nonprofits, health centers, childcare centers, libraries, community centers, and other community facilities.
- Excluding small business financing, ninety-seven percent of projects extended the benefits of the NMTC financing by including a Community Benefits Agreement.

Investors

- A regulated financial institution was the equity investor in ninety-seven percent of NMTC projects. Only two projects were financed using the non-leverage structure.
- The price paid by investors for NMTC in exchange for NMTCs ranged between 78 and 91 cents, with an average price of 86.5 cents.

2018 NMTC Projects

Project Types

PROJECT TYPE	PROJECTS		EXAMPLE
MANUFACTURING, WHOLESALE, AND INDUSTRIAL	53		**Romark Pharmaceutical** Manati, PR
PROJECTS SUPPORTING CHILDCARE, YOUTH, AND FAMILIES	31		**Junior Achievement of the Upper Midwest** St. Paul, MN
MIXED-USE PROJECTS	31		**The Landing** Ft. Wayne, IN
HEALTHCARE PROJECTS	29		**Callen-Lorde Brooklyn Health Center** Brooklyn, NY
OTHER MISC. COMMUNITY FACILITY AND NONPROFIT PROJECTS	19		**Center for Strong East Boston** Boston, MA
SCHOOLS	12		**Positive Tomorrows Villa Campus, Inc.** Oklahoma City, OK
GROCERY STORES	11		**Bozeman Co-op West Main** Bozeman, MT
RECREATION	10		**Budokan Recreation Center** Los Angeles, CA
INCUBATORS AND SHARED OFFICE SPACE	9		**Rosalind Franklin University of Medicine and Science** Chicago, IL
MUSEUMS, THEATERS, ARTS, AND CULTURE	7		**Moving in the Spirit Space to Soar** Atlanta, GA
COLLEGE OR VOCATIONAL TRAINING	7		**Second Helpings Culinary Job Training Program** Indianapolis, IN
RETAIL, RESTAURANTS, AND SERVICE SECTOR	7		**Heidi's Brooklyn Deli** Denver, CO
HOTELS AND TOURISM	7		**Cobblestone Hotel** Torrington, WY
HOUSING	5		**Homewise Energy Efficient Homes** Albuquerque, NM
AGRICULTURE AND TIMBER	4		**Columbia Pulp,** Starbuck, WA
ENERGY AND WASTE MANAGEMENT	4		**Continental Divide Electric Cooperative, Inc.** Grants, NM
OTHER: MISC. SMALL BUSINESSES AND OFFICE SPACE	40		**Citizens Bank Building Rehabilitation** Aberdeen, SD

Note: Nearly thirty percent of these projects included multiple components. For example, while there were only 29 health-care projects, nearly two-dozen additional mixed-use facilities included health clincs or other medical facilities. While this data illustrates industry trends, the project components covered in the next pages provide a better picture of the program impact. While we collected investment totals for the 40 projects classified as "Other: Misc Small Businesses and Office Space," we were not able to determine which asset-class the businesses fit.

2018 NMTC Projects

Community Facilities

Atlanta Community Food Bank

Construction and equipping of food bank headquarters and distribution facility serving the metro Atlanta and North Georgia region. The new facility will nearly double the space available allowing the organization to double its annual distribution within 5 years. The new facility is strategically located to improve logistics and supply chain management to meet the needs of individuals facing food insecurity in the 29 counties served.

In 2018, the NMTC promoted material improvement for the lives of nearly 4 million low-income residents through the financing of 207 nonprofits, social service programs, and community facilities.

VOICES FROM THE COMMUNITY

"New Market Tax Credits are making it possible for the YMCA of Snohomish to replace a 100-year-old facility and to double the number of kids and families that will be served.
-Scott Washburn, YMCA of Snohomish County, WA

NMTC-financed community facilities included stand-alone projects like hospitals and healthcare centers along with a variety of multi-component projects. Sixty-six percent of 2018 projects included a community facility component.

55 HEALTHCARE FACILITIES

Serving 445,585 patients annually.
For example, the Callen-Lorde project involved the renovation and buildout of the third floor of a commercial office building in downtown Brooklyn for a new 25,000 square foot FQHC and pharmacy. The expanded facility will provide essential access to healthcare services for vulnerable LGBTQ youth and adults, those living with HIV/AIDS, projected to serve 15,000 patients and 58,000 visits annually.

14 FOOD PANTRIES

Serving 1.7 million people 113 million meals annually.
For example, NMTC financing helped Mid-South Food Bank, one of the largest food banks in the nation, increase the amount of food distributed and number of clients served. Mid-South serves 400,000 people and 10.8 million meals annually.

848 AFFORDABLE HOUSING UNITS

Including workforce housing, affordable energy efficiency housing, and Habitat for Humanity builds

25 ARTS/CULTURAL FACILITIES

Benefiting 1,173,332 people annually
Includes 10 performing arts centers and a museum

22 RECREATION FACILITIES

Serving 121,506 people annually.
Includes 5 YMCAs and 4 Boys and Girls Clubs

80 YOUTH/CHILDCARE

Serving 460,446 children annually.
For example, The Crispus Attucks Children's Center in Dorchester, MA, which serves nearly 239 children and their families in Boston's highest need neighborhoods.

OTHER FACILITIES

29 colleges and vocational training centers, 17 homeless shelters and service-organizations, 16 schools, 11 social service hubs, 4 libraries, and 4 public markets

2018 NMTC Projects

Investor Trends

THE LEVERAGE STRUCTURE

Nearly all NMTC investments involve the "leverage structure," which helps deliver more capital to qualified businesses than might be offered through a direct equity investment. In the leverage structure, an intermediary entity, typically called the "investment fund," structured as an LLC or partnership, can receive equity investments from NMTC investors (usually regulated financial institutions) as well as debt from other sources. All of the investment fund's proceeds (debt and equity) are then invested as a QEI into the CDE. In return, the CDE then passes the federal tax credits to the Investment Fund (its QEI investor). In 2018, all qualified equity investments reported by survey respondents utilized the leverage structure.

When a CDE and a business work to finance an NMTC project, they must secure an equity investor and sources of debt. In 2018, the share was 31 percent equity and 69 percent debt.

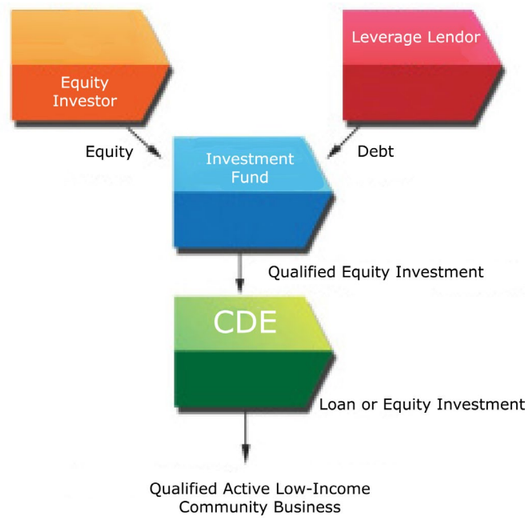
SOURCES OF EQUITY

Regulated financial institutions have historically provided a majority of the equity for NMTC transactions, and 2018 was no exception. Ninety-seven percent of equity investments into the investment fund came from regulated financial institutions. The balance came from corporations.

NMTC CREDIT PRICING

There is a limited amount of NMTC allocation available and investors must compete for NMTC projects. When NMTC investors pay a higher price in exchange for the Credit, more benefit flows to the low-income community business. The Coalition asked survey respondents to report the average price investors paid in exchange for the NMTC.

Respondents reported pricing ranging between 78 cents and 91 cents, and the average price was 86.5 cents.



INVESTOR MOTIVATION

Returns for NMTC investors are modest. The following factors motivate investors:

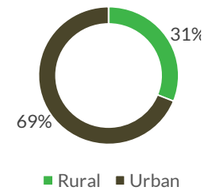
1. Compliance with the Community Reinvestment Act (CRA). Most NMTC investors are private financial institutions and receive credit for investing in low-income census tracts, as defined by CRA;
2. A low risk, low return investment. NMTC investors typically receive an average annual after-tax return of between 3 and 5 percent over 7 years;
3. A commercial interest in moving into new communities that are eligible under NMTC;
4. Supporting existing customers and bolstering an under-performing market in the bank's footprint; and
5. Corporate Social Responsibility priorities.

2018 NMTC Projects

Manufacturing

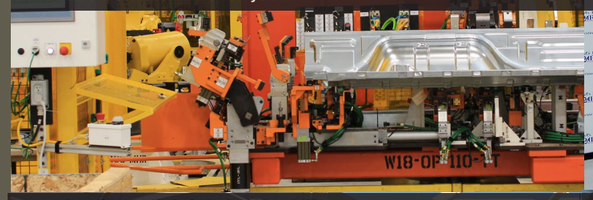
Manufacturing has been the most popular use of NMTC-financing for several years running. In 2018, CDEs financed 53 manufacturing projects and an additional 26 projects included a manufacturing component. Altogether, those projects supported 193 manufacturing businesses ranging from a jewelry manufacturer in Philadelphia, PA to a 250,000 sq. ft. expansion of a fiberboard manufacturer in Barnwell, SC.

2018 MANUFACTURING PROJECTS



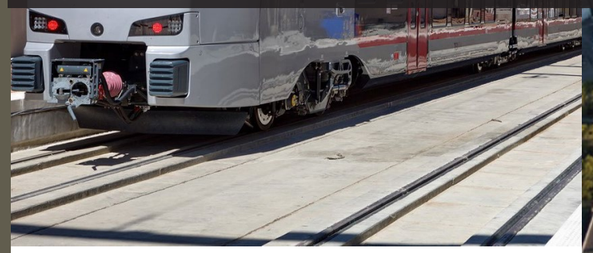
BUSINESSES SUPPORTED	SQ. FT. OF INDUSTRIAL SPACE	FTE JOBS
2018	2018	2018
193	6.7M	12K

Flex-N-Gate, Detroit, MI
Flex-N-Gate will be the largest auto supplier investment in the City in more than two decades and will initially provide world-class quality, time-sensitive components to Ford Motor Company. With an unemployment rate of over 32.9%, the project will create 480 FTEs upon start of production with up to 800 total FTEs created at production capacity and 259 new construction jobs.



American Spiralweld Pipe, Paris, TX
The project involves the new construction and equipping of a $62.8M, 275,000 SF spiral welded pipe manufacturing plant in rural Paris, Texas. The project will create 150 full time jobs with average starting wages for production employees of $46,000 in addition to full benefits. quality jobs and the Project will provide 75 construction jobs in the severely distressed community.

Stadler Rail, Salt Lake City, UT
Stadler Rail will construct a new 226,000 sq. ft., state-of-the-art manufacturing facility for light rail passenger cars in Salt Lake City where they will build and assemble trains for transit properties throughout the US. The Project will allow the Sponsor to create quality jobs, an apprenticeship training program, develop infrastructure, and have a substantial production capacity and 259 new construction jobs.



Building 127, Brooklyn, NY
Brooklyn Navy Yard Development Corporation will rehabilitate and renovate Building 127, approximately 100,000 SF, at the Yard, restoring it to an active manufacturing use and creative workspace that supports the Yard's job-creation and economic development mission. The Project tenants will provide approximately 300 permanent, quality jobs and the Project will provide 75 construction jobs in the severely distressed community.

2018 NMTC Projects

Industry Trends

Mixed-use, multi-purpose facilities have something for everyone, bringing together business incubators, daycare, maker spaces, healthcare clinics, affordable housing, green space, vocational training, fresh food, and more.

MORE IS BETTER

2018 marked a continuation of the recent trend toward multi-component projects. Nearly one-third of NMTC projects (31.7 percent) included multiple components, up from 17 percent in 2017.

Twenty-three projects (9.2 percent) included more than one nonprofit or community facility component, and several projects serve as hubs for social service delivery. Thirty projects featured shared space for nonprofits, small businesses, entreprenuers, makers, and technology researchers. For more on the various community facility components, see page 19.

PROJECT EXAMPLES

University Enterprise Laboratories (UEL)
Saint Paul, MN

UEL provides wet labs, office space, and innovation/collaboration spaces. The NMTC helped UEL expand their current facility.

Rosalind Franklin University of Medicine & Science
Chicago, IL

The $50M innovation and research park will be a mixed-use facility providing office, education/training, technology, and incubator space for the university and businesses and organizations that specialize in biomedical and life science research. It is on track to open August 2019.

Swift Factory
Hartford, CT

The substantial rehabilitation of the Swift Factory in Hartford, Connecticut into a commercial space with approximately 86,500 rentable square feet. After completion of the rehabilitation, the building will house tenants who will provide jobs readily accessible to low income people, support business development in the food industry, and improve community health through light industrial/manufacturing, shared office and equipment space, and a healthcare clinic.

Before and after:

Make the Road Community Center
Corona, NY

MRNY seeks to consolidate its operations into a new community facility to significantly decrease operating expenses tied to rents and free up funds to increase services provided to the local low-income minority community in NYC. The center will include classrooms, a library, community meeting rooms, a childcare space, a commercial kitchen and food pantry, and office space for MRNY staff. It will allow MRNY to increase service legal services, education, training, college access services, and leadership development.

The Girls Leadership Academy of Wilmington (GLOW)
Wilmington, NC

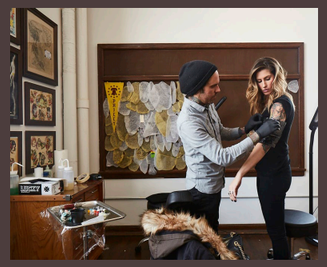
GLOW is a charter school affiliated with the Young Women's Leadership Network. Thanks in part to NMTC financing, the school is constructing a 60,000 sq. ft. campus which will include 5 buildings: an administrative building, two milddle schools, a high school, and a multimedia maker space.

SPOTLIGHT: BOK BUILDING, PHILADELPHIA, PA

BOK is a richly layered space for small businesses, makers, community services, and more. Over 200 tenants currently occupy the building, of which approximately 25% live in the project's zip code. The NMTC financed the adaptive reuse of a 218,000 sq. ft. former technical school into a small business hub focusing on local makers and artisans who utilize the technology and infrastructure of the technical school for their workshops. The full-square-block building is filled with furniture makers, restaurants, tattoo artists, product showrooms, jewelers, videographers, architects, fashion designers, product designers, artists, charitable organizations, and a pre-school — among others — in the previously empty classrooms.

70 percent residents of South Philly

48 percent women-run businesses



80 percent self-owned businesses

VOICES FROM THE COMMUNITY

"BlueHub Capital's $4 million [NMTC] investment adds building code updates to the entire building," said Natalie Deduck, Community Engagement Coordinator at Bok. "Now we can continue to grow."

2018 NMTC Projects

Small Loan Funds

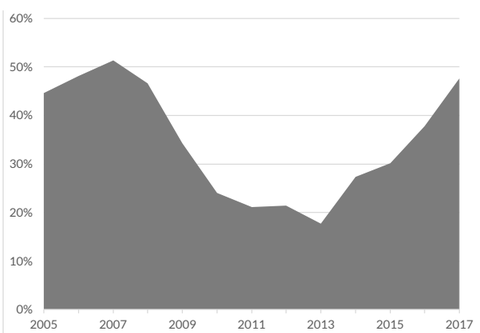
An increasingly popular use of NMTC allocation

TREND: INCREASED USE OF THE NMTC TO FINANCE LOAN FUNDS

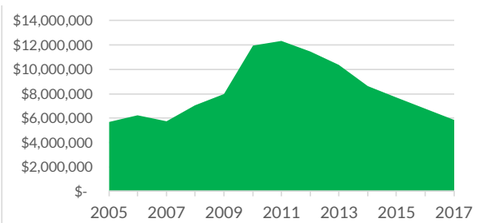
The NMTC is not known for small business financing, but a significant percentage of NMTC financed projects receive no more than $4 million in NMTC allocation. NMTC allocation can be used to capitalize loan pools that make small loans ($50,000 to $4,000,000) to businesses and community facilities.

There is evidence that the capitalization of loan pools with NMTC financing has increased since bottoming out during the Great Recession. The two charts below show a significant increase in the number of projects receiving less than $4 million in NMTC allocation and a corresponding decrease in the average amount of allocation provided to any given project.

PERCENT OF NMTC PROJECTS RECEIVING UNDER $4,000,000 IN ALLOCATION (2003-17)



AVERAGE NMTC ALLOCATION PER PROJECT (2003-17)



WHY LOAN POOLS?

The Need

As the CDE above reported in their survey, small businesses face considerable difficulty accessing affordable, patient capital in low-income communities.

Limiting Transaction Costs

Many of the transaction costs associated with traditional leverage (A/B note) NMTC projects are fixed and are incurred up-front (during project closing). Thus, loans under $5 million are unattractive to most borrowers.

Under the loan poll structure, CDEs to incur those up-front costs but can then make smaller loans and revolve the funds over the seven-year compliance period. Revolving the proceeds of Qualified Equity Investments also allows CDEs to stretch their NMTC allocation further, acheive greater impact, and limit The CDFI Fund has encouraged loans of under $2 million in the NMTC application.

IMPACT EXAMPLE

Loan pools can stretch an NMTC allocation beyond what might be possible with a single seven-year loan to a discreet project. For example, the Small Business Capital Fund, created by Greenline Ventures and capitalized in 2017 by a mere $11 million in NMTC allocation, provided $22 million in financing to 16 different small businesses and supported 912 qualify jobs in highly distressed areas of 17 different states. Of those jobs, 427 were held by women and 442 were held by minorities.

- $1.25 million average loan amount, average term: 24 months to 7 years
- Loans support working capital, business acquisition, equipment financing and come with a variety of below-market features intended to provide maximum flexibility to the business for future growth and capital needs.

"The small loan fund was strategically created to respond to market needs. Staff have heard from small businesses and small-scale developers...that they are unable to access affordable, flexible capital through traditional lenders. While this information is confirmed by national studies, we also did our own surveys and convened a 75+ member...stakeholder committee to gain a deeper knowledge of the barriers these groups are facing in our market. We found an unmet demand for financing between $750,000 and $2M, and a need for loan products that offered a loan-to-value ratio above 75%. The small loan fund was created in response to these needs. We continue to convene our stakeholder committee every few months to seek feedback on this loan fund and other new products we have created, and have adjusted accordingly."

-CDE financing their first ever loan pool in 2018.

2018 NMTC Projects

Small Loan Funds

LOAN POOL SURVEY

The Coalition asked survey participants with loan pool QLICIs closed in 2018 to describe the purpose and targeting of their loan pools along with the average loan sizes and financial products offered. Seven respondents provided information on their loan pools. With a bit of additional digging, we identified an additoinal 13 NMTC-financed loan pools either capitalized in 2018 or capitalized in a prior year but financing projects in 2018.

LOAN FUND TARGETS

Many loan funds carried a general purpose - to finance small businesses in a specific geographic area, for example. Others targeted populations or asset classes. Examples include: minority and women entrepreneurs, rural real estate, nonprofits, immigrant entrepreneursenvironmental remediation of industrial sites, and predevelopment loans.

FINANCIAL PRODUCTS

Most of the loan funds aimed to provide below-market interest rates. Other features included relaexed credit requirements, higher than average LTV ratios, and longer amortization periods.

CAPITALIZATION

Loan funds commonly involve partnerships between multiple entities, mosty often a bank, a private foundation, a CDFI or SBA lender, a city development authority, nonprofit consortiums, and of course, a CDE. In terms of leverage debt, foundations seem to be a bigger player in the loan pool space than they are in typical NMTC transactions, though banks still provide a majority of the leverage debt.

CDEs typically capitalized their loan funds with $8 to $10 million in NMTC allocation, though one CDE set-aside half of its $80 million allocation for a loan pool.

LOAN SIZES

Most CDEs were willing to loan anywhere between $400,000 and $2,000,000, though one CDE provides loans for between $50,000 and $150,000.

PROJECT EXAMPLES

THINK BROCCOLI

Think Broccoli, a minority-owned urban social enterprise located in Baltimore, Md, organizes social impact campaigns and events to help mobilize and educate impacted communities. Think Broccoli organizes The Broccoli City festival, which is one of the few African American-owned events of its kind. Greenline Ventures' Small Business Capital Fund made a time sensitive working capital loan to the company to execute its festivals, conferences, volunteer opportunities and other community events. In addition to arts and music, the festival includes a 5K run and BroccoliCon, Broccoli City's immersive two-day conference of the brightest minds from diverse disciplines and backgrounds focused on emerging technology, culture, entrepreneurship and social movements. Between the festival, conference, 5K run, and a community service day, Think Broccoli creates an estimated 376 temporary jobs.

AURA FABRICATORS

Jasmine Sonmor founded Aura Fabricators as a college senior in 2014 and began bidding on bridge components in the various DOT markets. Aura has grown rapidly under Sonmor's leadership. In less than four years, Sonmor has more than doubled the number of contracts held by Aura and expanded the business to a second location, hiring 16 new employees between the two facilities. With plans to pursue additional certifications and enter new metal-working markets, neither Sonmor nor Aura is slowing down any time soon. As Aura secured more contracts and considered new lines of business, expansion to a second location became critical. Sonmor's plans for the company's future required more room and equipment for Aura's continued growth. NMSC provided favorable financing for new equipment to accommodate Aura's further expansion into new products and business lines through the NMTC enhanced Bremer Bank Loan Fund, dedicated to supporting small businesses in the rural Midwest.

At least 80 projects financed in 2018 were financed through a small loan pool, which is nearly one-third of all projects.

"It has become easier since our first fund in 2012 because there is a lot more investor interest now."

-CDE financing their first loan pool since 2012

2018 NMTC Projects

Community Characteristics

Nearly 80 percent of NMTC projects were in areas of deep distress

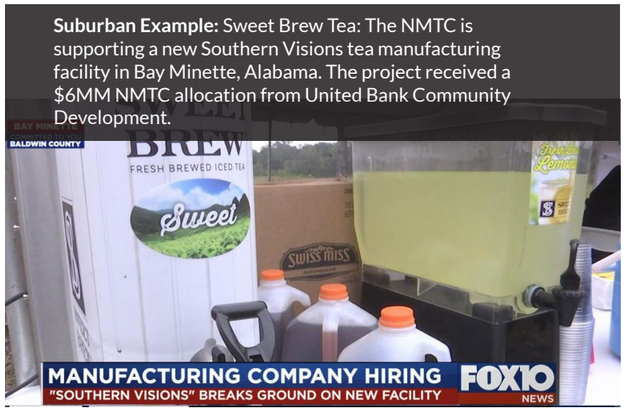
CHARACTERISTICS OF COMMUNITIES RECEIVING INVESTMENTS

The NMTC targets about 40 percent of nation's census tracts that meet the statutory requirements for economic distress. However, most NMTC financing goes to a smaller subset of severely distressed communities that far exceed program requirements for poverty and income. Nearly 80 percent percent of 2018 NMTC projects were in severely distressed communities with poverty rates above 30 percent, median incomes below 60 percent of the area median income or unemployment rates 1.5 times the national average.

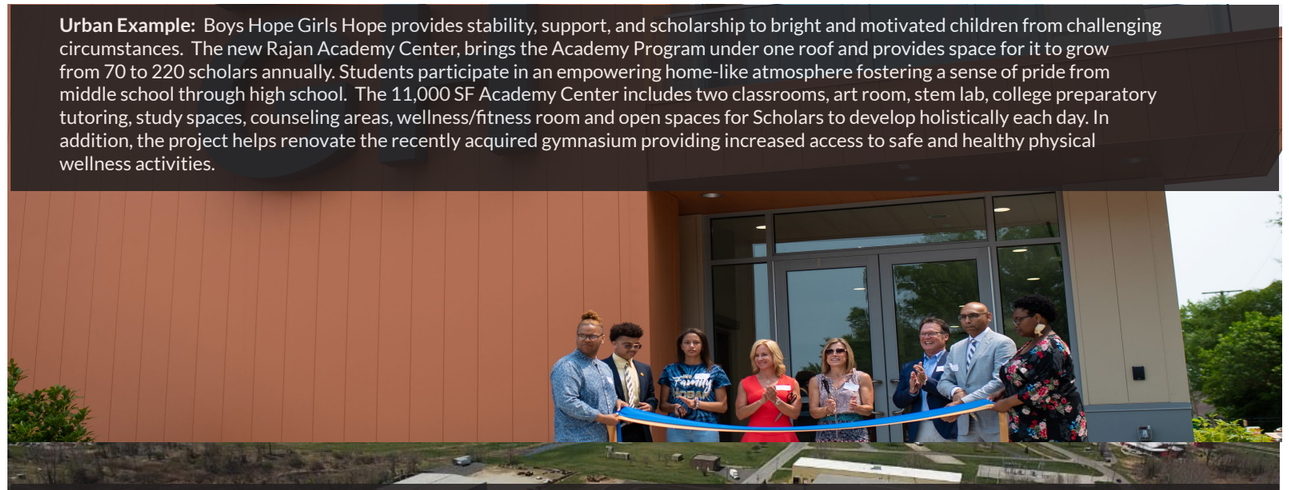
RURAL TARGETING

The NMTC statute - as amended in 2004 - requires that the CDFI Fund ensure that a proportional share of NMTC projects are located in non-metropolitan counties.

Twenty percent of 2018 survey respondents' projects were located in non-metropolitan counties.



Suburban Example: Sweet Brew Tea: The NMTC is supporting a new Southern Visions tea manufacturing facility in Bay Minette, Alabama. The project received a $6MM NMTC allocation from United Bank Community Development.



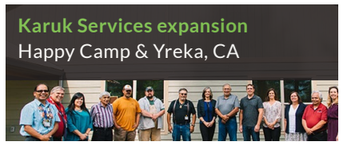
Urban Example: Boys Hope Girls Hope provides stability, support, and scholarship to bright and motivated children from challenging circumstances. The new Rajan Academy Center, brings the Academy Program under one roof and provides space for it to grow from 70 to 220 scholars annually. Students participate in an empowering home-like atmosphere fostering a sense of pride from middle school through high school. The 11,000 SF Academy Center includes two classrooms, art room, stem lab, college preparatory tutoring, study spaces, counseling areas, wellness/fitness room and open spaces for Scholars to develop holistically each day. In addition, the project helps renovate the recently acquired gymnasium providing increased access to safe and healthy physical wellness activities.

Non-Metro Example: Vestil is an Angola, IN, manufacturer and distributor of material handling products including loading dock equipment, packaging equipment, steel hoppers, fork truck attachments, industrial ladders, industrial carts and dollies, and protective barriers. The NMTC proceeds will allow for the installation of new equipment necessary to be fully operational.

2018 NMTC Projects

Tribes and Native Populations

12 projects directly supported low-income native populations with new jobs and expanded social services

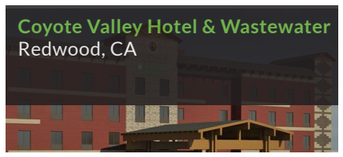


Karuk Services expansion
Happy Camp & Yreka, CA

The Karuk Tribe constructed a 4,800 sq. ft. family services center in Happy Camp, CA. The center houses many tribal programs including behavioral and substance abuse counseling, job training and employment assistance, and child welfare and social services. Additionally, the tribe constructed an 11,400 sq. ft. service center in Happy Camp housing a community rec. center. The tribe also rehabilitated a medical and dental clinic in Yreka, CA.

Yurok Forest & Fishery
Klamath, CA

The Yurok Tribal Community Forest and Salmon Fishery Preserve is a California North Coast enterprise focused on sustainable forestry (including a carbon sequestration project), fisheries habitat protection and restoration, and ecosystem services over a 47,097-acre forested landscape. The third-phase of the restoration project supported 87 FTE jobs in Klamath, CA, where the unemployment rate is 14.7 percent.

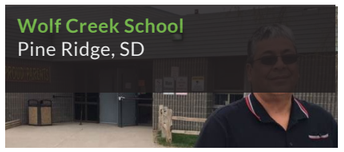


Coyote Valley Hotel & Wastewater
Redwood, CA

The new, 55,000 sq. ft. Coyote Valley Hotel will have 101 guest rooms. It is located along U.S. Highway 101, a major commercial artery bringing customers through the region for business, tourism and gaming purposes. The tribe is also increasing wastewater capacity and building safer highway access to the reservation. The project is expecte to create 24 FTE jobs and 150 construction jobs.

San Carlos Apache Tribe
San Carlos, AZ

The San Carlos Apache Reservation is located in a severely distressed area of San Carlos, AZ. NMTC-financing helped construct three neighborhood facilities, including two community centers and a swimming pool complex. Each facility will be designed to meet the needs of the community, with an emphasis on improving the quality of life for the Tribe's youth. State Bank of Arizona was the tax credit purchaser and leverage lender for the project.



Wolf Creek School
Pine Ridge, SD

Expansion and renovation of a South Dakota public school located within the Oglala Lakota Nation. The expansion will provide 25,200 additional sq. ft. for the facility which serves Kindergarten through 5th grade children. The project also includes replacement of the school's obsolete bus barn and purchase and installation of a new air conditioning system. The existing HVAC system will be converted to a geo-thermal ground-source heat pump. system.

New Judicial Center
St. Croix Chippewa Indians
Webster, WI

Red Lake Grocery
Red Lake Band of Chippewa Indians
Ponemah, MN

Arapaho Childcare & Healthcare
Wind River Reservation
Riverton, WY

VOICES FROM THE COMMUNITY

"Expansion of the 12th Street clinic will help to address critical health care needs of our people. With the support of New Markets Tax Credits and all of the parties involved, we will be able to bring new and expanded services to improve the overall quality of life for our Tribe and the surrounding communities.
-Richard Brannan, Director of Wind River Cares.

2018 NMTC Projects

Job Creation

CDEs created 58,360 jobs in 2018, including 32,917 full-time equivalent jobs and 25,443 temporary construction jobs.

JOBS BY INDUSTRY AND LOCATION

Category	Urban Jobs	Rural Jobs	Total FTEs
Manufacturing	5,310	6,780	12,090
Small Businesses, Retail, Services	7,681	1,535	9,216
Schools, Community Facilities (other than healthcare)	4,922	815	5,737
Healthcare	3,698	1,379	5,077
Small Businesses, Retail, Services	7,681	1,535	9,216
Tourism and Hotels	345	110	455
Warehousing, Energy, Waste Management, Timber	185	158	343
Temporary Construction Jobs	17,634	7810	25,443
Total Jobs	**39,774**	**15,587**	**58,360**

GIRLS LEADERSHIP ACADEMY OF WILMINGTON

The Girls Leadership Academy of Wilmington (GLOW) is a charter school affiliated with the Young Women's Leadership Network. Through generous support from the local community and NMTC-financing, the school is constructing a 60,000 sq. ft. campus which will include five buildings: an administrative building, two middle school buildings, one high school building, and one media center and makerspace. The project is expected to create 44 FTE jobs and 76 construction jobs.

Stories from the Field

Three stories illustrating the wide range of projects made possible by the New Markets Tax Credit

VOORMI

page 30-33

Pagosa Springs, Colorado

SPRINGFIELD EDUCARE

page 34-37

Springfield, Massachusetts

DESOTO BOYS & GIRLS CLUB

page 38-41

Bradenton, Florida

GREENLINE VENTURES

MASSDEVELOPMENT

FLORIDA COMMUNITY LOAN FUND

PAGOSA SPRINGS, CO

VOORMI

VOORMI
169 Pagosa St
Pagosa Springs, CO

Financing:
$1..95M loan subordinate to the company's existing debt obligations from Greenline Community Development Fund

Investor:
U.S. Bank, N.A.

Jobs:
Supported12 jobs

VOORMI brings textile manufacturing jobs back to rural America

BACKGROUND

Pagosa Springs is a 2,000 resident southern Colorado town nestled in the San Juan Mountain range and surrounded by two million acres of national forest. Local median income is one-half of the Colorado average and poverty levels are 40% higher than the national average. In 2010, a former technology industry employee chose this rural location to launch VOORMI, a company that is reinventing the model for domestic textile and apparel manufacturing.

VOORMI'S STRATEGY

The company's name was inspired by the Vormi, an obscure animal from ancient Greek mythology. As legend has it, the furry, three-toed beasts roamed the brutal ice and snow and survived by finding novel ways to adapt to the conditions. Accordingly, Dan English, VOORMI's founder, decided to focus on adapting a business model around domestic competitive advantages in the textile industry rather than disadvantages.

The Company's name was inspired by the Vormi, an obscure animal from ancient Greek Mythology that adapted to harsh and ever-changing conditions. Above: an artist's depiction.

While working with veteran apparel designers from GORE-TEX and Polartec, his team studied the special characteristics of wool from high elevations in the Rocky Mountains. VOORMI designer Doug Lumb told Company Week Magazine in 2017, "The sheep see temperature extremes in a day of 30-plus degrees. They grow a wool that's a little 'crimp-ier' than wool grown in a maritime climate."

VOORMI'S GROWTH

VOORMI was launched in 2010 with funding from the founder along with his family and friends. Consistent with VOORMI's original philosophy, every aspect of garment production occurs with American workers and suppliers. Furthermore, VOORMI reduces both its carbon footprint and its freight costs by sourcing its wool locally from ranches in the Rockies.

VOORMI successfully released initial product lines, including outdoor hoodies and water-resistant wool-mix outer layers. In order to produce the garments, the company provided low-income community residents in some of the most underserved communities of the country with technical seamstress job training and benefits. Pursuant to VOORMI's strategy, the garments were sewn in rural factories, thereby transforming rural communities into small manufacturing hubs.

COMMUNITY PROFILE:

- Pagosa Springs, CO
- Unemployment is 13 times the national average, poverty levels are 40% higher than the national average, and local median income is one-half of the Colorado average.

DECLINE OF AMERICAN TEXTILES

The multi-decline of the American textile and apparel manufacturing employment has far-outpaced other manufacturing industries. Employment in those sectors dropped from about 2.4 million in 1973 to 340,000 in 2017, a decline of nearly 91 percent (adjusted for population growth).

FINANCING CHALLENGE

Although VOORMI experienced initial success, the company exhausted cash reserves as they managed the investment required to sustain growth. By 2018, VOORMI like many small businesses needed additional capital to produce inventory for existing orders and purchase equipment for critical product expansions. The company was challenged by insufficient cash flow and collateral to support additional borrowing from traditional banks. Without funding, VOORMI's continued operations were at risk.

NEW MARKETS TAX CREDITS FUEL VOORMI'S GROWTH AND JOB CREATION

Greenline Community Ventures, a Colorado CDFI and national CDE, connected with VOORMI through one of Greenline's local financing relationships that was familiar with both the company and Greenline's Small Business Capital Fund.

In 2016, Greenline Community Ventures used New Markets Tax Credits to create a Small Business Capital Fund designed specifically to help create low-income

PAGOSA SPRINGS, COLORADO

VOORMI (continued)

community jobs by funding high impact, cash flow challenged early stage businesses. The Fund's mission is to better connect low-income community residents with the small businesses that represent two-thirds of America's job growth.

By leveraging New Markets Tax Credits, Greenline was able to provide VOORMI with a $1.95 million loan subordinate to all of the company's existing debt obligations. The loan provided the company with critical working capital to increase inventory, purchase equipment, and significantly expand its manufacturing, marketing, and product development capacity at its Pagosa Springs headquarters.

According to Patrick Vahey, President of Greenline, "Early stage small businesses with under 50 employees continue to struggle to find the funds required to effectively operate and grow – especially in low-income communities. By combining New Markets Tax Credits with private capital sources, Greenline is able to provide patient, equity-like funding to low-income community businesses that have been rejected by other capital sources. We want to help potential high impact businesses remain in low-income communities and hire low-income residents, thereby allowing these residents to avoid being displaced as broader redevelopment occurs. We want to reduce the impact of gentrification by improving the connection between small business employment opportunities and low-income community residents."

Greenline created the Small Business Capital Fund to improve the flow of capital in underserved communities through loans to ranging from $200,000 to $2 million. The fund prioritizes investments that create quality jobs for local residents, support minority or women business ownership, generate environmental benefits, and promote employee training advancement from unskilled to skilled positions.

IMPACT OF GREENLINE'S NMTC INVESTMENT

VOORMI is a rare success story in an American textile and apparel manufacturing landscape littered with closed plants and failed businesses that once drove local economies. Greenline's funding is allowing VOORMI to continue to create high paying jobs in small town economies.

Today, VOORMI is expanding to 12 employees in Pagosa Springs. The company owns five patents on its wool-blends, and its intellectually property is gaining interest from investors for uses beyond apparel.

"We are also proud to be Colorado-based and American made. One of our main objectives is to keep production in the USA and provide jobs in small towns," said VOORMI CEO Dan English. "We'd much rather a few folks in some mountain hideaway who understand the VOORMI lifestyle produce our products than an obscure behemoth facility in a faraway land. This also allows us to operate with a very small carbon footprint and mitigate waste by ensuring that every functional piece of fabric is used."

ABOUT GREENLINE COMMUNITY VENTURES:

Greenline Community Ventures, a Colorado CDFI and national CDE, has received six New Markets Tax Credit allocations totaling $547 million. Greenline's mission is to connect low-income community residents with upwardly mobile, living wage employment from growing small businesses. Greenline has deployed NMTC allocation in 26 states, resulting in the creation of 30,000 jobs.

In 2018, Greenline's Small Business Capital Fund provided $22 million of financing to 16 different small businesses, supporting 912 quality jobs in highly distressed areas of 17 different states. Of those jobs, 427 were held by women and 442 were held by minorities.

- $1.25 million average loan amount.
- Avg. term: 36 months with flexibility to provide shorter or longer terms depending on the business needs.
- Loans support working capital, business acquisition/expansion, equipment financing and come with a variety of below-market features intended to provide maximum flexibility to the business for future growth and capital needs.
- Leading 2018 industries: manufacturing, health care, retail.
- NMTC Equity Investor: US Bank, N.A.

SPRINGFIELD, MASSACHUSETTS

Educare Springfield

Construction of a 26,000 square foot school building that will provide access to high quality early childhood education and care for economically disadvantaged children.

Above: Damage in Springfield from an EF-3 Tornado in 2011

Educare Springfield, 100 Hickory St., Springfield, MA

NMTC allocation: $12M from MassDevelopment New Markets LLC

Total Project Cost: $15M

Investor: Capital One, N.A.

Other Partners: The Irene E. & George A. Davis Foundation, Holyoke-Chicopee-Springfield Head Start, Inc., Springield College, The Educare Learning Network, RDG Planning & Design, Springfield Public Schools, the State of Massachusetts, The Massachusetts Department of Early Education and Care, The Children's Investment Fund and CEDAC.

Jobs: 44 existing employees and 7-10 jobs expected to be created within the first two years.

Children served: 141 children

Timing: Construction began in 2018 and the facility will open in November 2019

Educare Springfield, the first Educare school in Massachusetts, will soon serve 141 Head Start-eligible young children and their families with a full-day, year-round early education program. The school, located in the highly distressed Old Hill neighborhood, will be a landmark lab school for best practices and an essential resource for Springfield College, Springfield Technical Community College, Springfield Public Schools and the early education community across the state for training and providing professional development for future teachers, social workers, and researchers. Educare Springfield will also pursue opportunities for partnerships and collaborations in the local community.

The project would not have been possible without financing from the New Markets Tax Credit (NMTC) from MassDevelopment, the hard work of foundations, city and state officials, and two anonymous donations.

A VIOLENT TORNADO

The story of the Educare Springfield facility starts back in 2011. On June 1, 2011, a powerful and long-lived EF-3 tornado left a swath of major damage through Western Massachusetts. The tornado proved to be unusually persistent, remaining on the ground for over an hour on its 40-mile path, the second longest on record in Massachusetts. The tornado caused extensive damage, killed 4 persons, injured more than 200 persons, damaged or destroyed 1,500 homes, left over 350 people homeless in Springfield's MassMutual Center arena, left 50,000 customers without power, and brought down thousands of trees. FEMA estimated that 1,435 residences were impacted and that the primary impact was damage to buildings and equipment with a cost estimate of $24,782,299. Total damage estimates from the storm exceed $140 million, the majority of which was from the destruction of homes and businesses.

The damage was particularly acute in the Old Hill neighborhood, which was already suffering from high poverty and unemployment. Disaster hit vulnerable, low-income populations the hardest. Oak Hill and the surrounding neighborhoods lost 119 housing units and another 281 units were severely damaged. Brookings Elementary school and several parks also sustained damage.

The tornado came on the heels of what was widely seen as an economic revitalization for Springfield between 2007 and 2011, the first term for Springfield Mayor Domenic Sarno. That progress was lost.

To recover from such a devastating storm, Springfield would need new investment. According to Sarno, since the tornado, $4 billion in new investment has reached city. MassDevelopment, the state's finance and economic development authority, was a big part of that effort. The organization has made several important investments in Springfield since the tornado, including supporting a Chestnut Street affordable housing development with tax-exempt bonds, investing in Valley Venture Mentors, an executive training program for manufacturers, and supporting the Transformative Development Initiative (TDI) District, an increasingly vibrant center for entrepreneurship, culture, and dining, by assisting with the financing of the Springfield Innovation Center and tenant improvements in the newly renovated Union Station.

SPRINGFIELD, MASSACHUSETTS

Educare Springfield (continued)

Left: The project site, pre-development.

New investment was not limited to downtown. The city constructed a new, $28 million public school in Old Hill and made investments in parks and street improvements.

But while new investment improved many of the city's physical structures, Springfield faced many challenges beyond the physical destruction wrought by the tornado. Poverty remained very high, particularly child poverty. Between 2012 and 2017, the citywide child poverty rate remained in the low 40s, and in the Old Hill neighborhood, child poverty was 53%.

EDUCATION GAP

Educational outcomes in the city lagged far behind others in the region. Only 33 percent of Springfield children read at grade level by 4th grade, compared to peers in suburban schools. In 2015, only 1% of the children passed all oral competency and literacy standards for kindergarten, and the unemployment rate in Old Hill was 28%.

In 2014, a large early education and care facility with a capacity for 350 slots closed overnight without any community notice leaving over 100 enrolled children without any services. The Irene E. & George A. Davis Foundation stepped up to bring the community together to look at what could be done to correct this immediate crisis.

The Davis Foundation reached out to the Educare Learning Network ("ELN"), a nationally recognized, data-driven early education and care program initially created by the Ounce of Prevention Fund and the Graham Porter Child Research Institute at the University of North Carolina Chapel Hill and later replicated across the country in conjunction with the Buffet Early Childhood Fund, to explore the possibility of replicating an Educare at the shuttered facility.

Educare was a natural fit for the community. The Educare model, which builds heavily on the core components of the Head Start model, was launched in 2000 and was based on extensive research on early childhood development, education, social work and other allied fields. Four core features compose the Educare model: data utilization, embedded professional development, high-quality teaching practices and intensive family engagement.

FINANCING CHALLENGE

To bring Educare to Springfield, the Davis Foundation would need to find nearly $15M for the construction of a new facility as well as several million more to offset operating costs once the facility opened. Initially this seemed an insurmountable amount to raise in such an economically disadvantaged region, but serendipitously, in the winter of 2017, members of the Davis Foundation learned about an anonymous donor that was interested in funding an Educare. The donor generously committed $7M to the project initially, but as their faith in the efforts and progress grew, they increased their commitment to $9.65M. While still facing a substantial funding gap, the community could not overlook such a significant funding opportunity, and the fundraising campaign ramped up.

A year later, MassDevelopment, the state's finance and economic development authority, informed the project they would provide $12M in NMTC financing. This financing - combined with $2M in state grants - helped the project move forward.

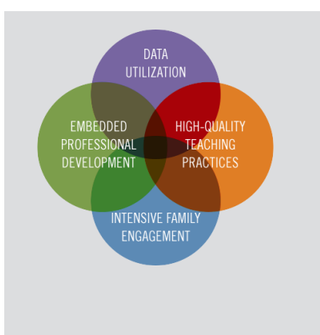
The Educare Springfield team approached Springfield College to purchase land for the facility in Oak Hill, but instead, Springfield College offered to contribute their efforts to the initiative and generously offered a 60-year nominal rent ground lease.

Educare Springfield would be built on land adjacent to Elias Brookings Elementary at the gateway to Springfield College, creating an "Education Corridor" that would allow Springfield's community and families to essentially "see" the journey from pre-K, to K-12 and on to college.

With the financing and site in place, construction of the new, 26,000 sq. ft. facility began in the summer of 2018. When the new facility opens in 2019, it will provide 141 low-income children with high-quality early learning during their first five years to prepare them for success in school and life. Classrooms will be operated by Holyoke-Chicopee-Springfield Head Start and also they will provide a number of additional support services for families.

"Educare is a significant investment here in the city of Springfield and it's another public and private partnership, with everybody working together for the same goal for our children," said Mayor Sarno at the ground-breaking celebration. "Giving them this foundation is going to allow them and their families to be able to avoid poverty, to avoid public safety issues—you just can't put a price tag on that."

Below: A visualization of Educare's model



COMMUNITY PROFILE

- Old Hill Neighborhood, Springfield, MA
- Nearly 50% of the children live in poverty.
- 28% unemployment (3.4x the national average).
- In 2015, only 1% of the children passed oral competency and literacy standards for kindergarten.

BRADENTON, FLORIDA

DeSoto Boys & Girls Club

Construction of new 37,500 sq. ft. recreational facility providing services to 2,400 low-income children annually

DeSoto Boys & Girls Club
5231 34th St.
Bradenton, FL

NMTC allocation:
$10.5M
from Florida Community Loan Fund

Total Project Cost:
$11.5M

Investor :
PNC Bank

Other Fnancing:
Synovus Bank

Jobs:
200 temporary and 34 permanent jobs estimated

Children served:
Estimated reach of 2,400 children and youth annually

Timing:
Construction began June 2018; ribbon cutting & youth services begin at new site August 2019

Since its establishment in 1946, more than 40,000 children have passed through the doors of the Boys & Girls Clubs of Manatee County (BGCMC). After decades of use, one of its facilities, the 50-year old DeSoto Club, was deteriorating and its resources were becoming obsolete for 21st-century education. The Boys & Girls Clubs conducted a capital campaign to raise funds for the construction of a new building, but rising construction costs kept the fundraising goal just out of reach.

With financing through the NMTC program, BGCMC is building a new 37,500 square-foot building that more than doubles the capacity of the former facility and will reach an estimated 2,400 children and youth annually, 75% of whom are low-income. BGCMC programs include academic excellence, good character and citizenship, and healthy lifestyles. The new clubhouse includes an upgraded computer lab, space for mentoring sessions with local elected officials and entrepreneurs, an art workshop, a new gymnasium, nutrition classes in a commercial kitchen, and space for other community activities and events designed to inspire these students to become future community leaders.

Although often misunderstood as simply "recreation centers," many Boys & Girls Clubs serve as the only choice in disadvantaged communities that youth have to turn towards after school. Beyond academic support and teaching financial literacy and good citizenship, Clubs provide a safe place, where they can build a sense of community and trust with other kids and adults, and often is the only chance for a square meal for kids coming from single-parent households or families in dire financial situations.

The success rate for BGCMC program participants is high, with 95% expected to graduate on time and 93% on grade level for

Above: A July 2019 view from overhead and the front of the nearly completed facility

BRADENTON, FLORIDA

DeSoto Boys and Girls Club (continued)

"Thanks to FCLF's support, the children who need us most will benefit from a state-of-the-art facility and be able to reach their full potential."
– Dawn Stanhope, President & CEO, Boys & Girls Clubs of Manatee County

their age. A study estimates that each dollar invested in a Boys & Girls Club returns nearly ten dollars in benefits to the community by increasing earning power and lowering costs associated with healthcare, public assistance, and incarceration.

The Boys & Girls Clubs of Manatee is proud of its alumni and what they have accomplished. Students who participate in BGCMC programs frequently go on to be pillars of the community, such as a city councilman, a lung cancer research scientist, a county sheriff, and a professional baseball player. Many of these "Club Kids" alumni continue to support current students as mentors and with financial support.

Located near the State College of Florida, Bayshore High School, and IMG Academy, the new facility is a centerpiece for county-wide youth services. Upon completion, the old building will be demolished and the land used to catalyze additional local economic development to generate revenue for BGCMC. The new facility also aligns with 4 area redevelopment plans: Manatee County Comprehensive Plan, Southwest County Urban Services Area, Priority Redevelopment Corridors, and Manatee County Children's Services Annual Plan.

Florida Community Loan Fund (FCLF) provided $10.5 million in federal NMTCs for the Boys & Girls Clubs of Manatee County. PNC Bank provided the NMTC equity, and dditional commercial loan financing was provided by Synovus Bank.

"Without NMTC, it could have taken years to pull together financing for this project," said Nelson Black, FCLF's Chief Lending Officer. "The time to mentor children and youth is right now – not years down the road. The new Boys & Girls Club will reach thousands of students every year, in their own back yard; and it will reach them right now."

According to Neel Shah, President of Shah Capital Advisors, an NMTC consulting firm that supports project sponsors, "Many youth call the Boys & Girls Clubs their 'second home' and years later 'Club Kids' say that their Club saved their life – as an alternative to getting trapped in a gang, ending up in jail, or even worse becoming a casualty of street violence. What amazing examples of how the NMTC program can help provide low-income youth with a path up and out of the cycle of poverty."

Community Profile

- Highly distressed area with extremely low income (51% of the area median) and high unemployment rate (more than twice the national average)
- Part of the Bradenton, FL, and Manatee County Comprehensive Plan
- TIF District, USDA Food Desert, Medically Underserved Area / Population

An annual snapshot of the New Markets Tax Credit Program

NEW MARKETS TAX CREDIT COALITION

1155 15th Street Northwest
Suite 400
Washington, DC 20005

+1-202-204-4500
info@nmtccoalition.org
www.nmtccoalition.org