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

nmtccoalition.org/progress-report
NEW MARKETS TAX CREDIT
COALITION
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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.

COVER IMAGE: Danimer Scientific, Winchester, KY
Danimer Scientific is a pioneer in manufacturing biodegradable plastics. Danimer’s products help large consumer product companies transition away from single use plastic food packaging derived from petrochemicals to renewable plastics, such as for chip bags, water bottles and straws. Danimer’s first large scale manufacturing facility is located in a recently vacated plant in an industrial park, reviving local hope for growth of the emerging technology sector in the region. Danimer received $12 million in NMTC financing from AMCREF Community Capital. The project created an estimated 118 full-time jobs and 161 construction jobs in Winchester, KY.
THE FOLLOWING ORGANIZATIONS PROVIDED GENEROUS FINANCIAL SUPPORT FOR THIS PUBLICATION:

2020 NMTC PROGRESS REPORT

A report by the New Markets Tax Credit Coalition
June 2020
"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."

In Spartanburg, SC, the Low Income Investment Fund financed the development of a mixed use, mixed income development providing 20 rental apartment units, 14,400 square feet of medical space, 5,000 square feet of office space for the Northside Development Corporation and seven student rental units for Wofford College’s Sustainability Program.

In Cleveland, OH, the NMTC financed the Urban Community School, a 17,400 sq. ft. early childhood and parent development center, a 32,650 sq. ft. federally qualified health center with a 115 sq. ft. food bank and a 10,000 sq. ft. community facility for Urban Squash Cleveland which will provide school mentoring, meals and counseling.
2019

BY THE NUMBERS

288 PROJECTS
NMTC financing helped make 288 projects possible, including the Hoen Lithograph complex rehabilitation (left). Projects spanned 48 states, Puerto Rico, and the District of Columbia.

INVESTMENT
CDEs used $2.7 billion in NMTC allocation to deliver $4.5 billion in total project investment to low-income communities, including Concord, NC, where CAHEC New Markets used $9.5 million in NMTC financing to support the Boys & Girls Club of Cabarrus County Expansion (right).

57.4K JOBS
Including 35,440 permanent full-time-equivalent (FTE) jobs, and 21,973 construction jobs.

15.1M SQ. FT. OF SPACE
Rehabilitated or constructed thanks to NMTC financing.

1.7 MILLION PEOPLE SERVED
By NMTC-financed community facilities, including 1.1 million patients in healthcare facilities.

232 MANUFACTURING BUSINESSES
Supported through new facilities and business incubators, creating over 11,000 FTE manufacturing jobs.

26% OF FINANCING IN NON-METRO
Counties and an additional 5 percent of projects in rural areas of metro counties.

62 HEALTHCARE FACILITIES
Financed by the NMTC in 2019, including 26 Federally Qualified Health 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 left outside of the economic mainstream. Taxpayers receive a 39 percent federal tax credit (taken over seven years) for qualified investments into Community Development Entities (CDEs), organizations with a track record of making 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.

To learn more about the creation of the NMTC and the history of NMTC projects, see the NMTC Coalition’s 20th Anniversary Report on Page 25.

LEGISLATIVE STATUS

The NMTC is not a permanent part of the tax code. The initial authorization provided five years of credit authority, and the program has been extended more than a half dozen times since then. The most recent extension came in December of 2019, when Congress provided a one-year extension and $5 billion in annual allocation authority, an increase of $1.5 billion over the long-standing baseline authorization level of $3.5 billion.

NMTC EXTENSION CAMPAIGN

The New Markets Tax Credit expires December 31, 2020. The bipartisan New Markets Tax Credit Extension Act of 2020 (H.R. 1680 and S. 850) would extend the program indefinitely and expand both the allocation level and investor base.

H.R. 1680

Introduced by Representatives Terri Sewell (D-AL) and Tom Reed (R-NY). One-hundred twenty-six cosponsors as of 6/1/2020.

S. 750

Introduced by Senators Roy Blunt (R-MO) and Ben Cardin (D-MD). Thirty-seven cosponsors as of 6/1/2020.

HOW IT WORKS

MOBILIZING CAPITAL FOR HIGH-IMPACT PROJECTS FOR TWO DECADES

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 such as 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.

TAX CREDIT INVESTORS

Tax credit investors are mostly regulated financial institutions. They receive 39 percent tax credit (taken over seven years) in exchange for making equity investments into a CDE.

How it works:

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 to meet growing demand, but they can only secure a combination of $12 million from donors and conventional lenders. 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

FQHC

INVESTOR

CDE

MANUFACTURER

ADDRESSING THE CAPITAL GAP IN DISTRESSED COMMUNITIES

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2020 NMTC Projects

IN THE PIPELINE

Ribbon cuttings and projects financed in 2020 as this report goes to press

While the NMTC market slowed down a bit at the height of the stay-at-home orders in April of 2020, projects continued to close. Now more than ever, communities need access to patient, flexible financing for revitalization projects.

Crescent Commons
Cortland, NY
The substantial rehabilitation and adaptive reuse of the Crescent Corset Company Building into Crescent Commons will provide new housing and nonprofit office opportunities to Upstate New York. The project was financed through NTCIC's Irvin Henderson Main Street Revitalization Fund.

Union Gospel Mission
Salem, OR
NMTC financing from Raza Development Fund helped Union Gospel Mission of Salem, the largest provider of meals and shelter for the homeless in Salem, build a new 57,220 sq. ft. facility.

Audubon Metals
Corsicana, TX
Corsicana, Texas, will soon be the location of a new manufacturing facility for an aluminum producer and metals processor, Audubon Metals, LLC. The project will bring 100 new jobs to the community.

Scranton Counseling Center
Scranton, PA
Commonwealth Cornerstone Group provided financing in 2020 for the adaptive reuse of a historic cornerstone building in downtown Scranton. The rehabilitated building will be the site of Scranton Counseling Center's behavioral health clinic and administrative offices, as well as a pharmacy and primary health clinic to provide support services for the clinic's clients.

Emergency NMTC Extension and Expansion

COVID-19 RESPONSE

The NMTC has a 20-year track record of promoting revitalization in America’s economically distressed rural and urban communities. These communities struggled with high poverty and unemployment before the recent economic collapse.

The Coalition recommends an increase in NMTC allocation of $3.5 billion over three years along with several policy proposals to help ensure the NMTC investor market remains competitive and highly liquid. Head to the Coalition’s website to read the full proposal.

CRA Overhaul Roils Community Development

MAJOR CRA CHANGES

For the first time in more than 20 years, federal regulators made major changes to the Community Reinvestment Act (CRA). In May of 2020, the Office of the Comptroller of Currency (OCC) finalized new regulations for financial institutions to meet their obligations under CRA, the legislation enacted in 1977 to address racial discrimination by the financial sector. While CRA certainly needed an update, the changes included in the final rule could present some challenges for the NMTC and other community development tax credits.

Bank investors are important partners in the NMTC program and provide the private sector capital necessary for CDEs to invest in meaningful community and economic development projects in underserved areas. For banks, CRA's investment test often served as a significant motivator for making tax credit investments.

The Coalition strongly opposed the draft rule published for comment in December of 2019. While the final rule represents a marginal improvement, we are still concerned about the potential impact on NMTC investor demand.

The new regulations end the investment test and instead rely on a simplified, ratio-based system of metrics. The final rule also expands the range of eligible activities to such a degree as to reduce investor demand for NMTCs, depressing the price equity investors pay in exchange for the credit.
Survey of 2019 Projects

2019 HIGHLIGHTS

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

GRUMA Corporation Food Hub, Grand Prairie, TX

NMTC financing from Texas Mezzanine Fund, MBS Urban Initiatives, The Valued Advisor Fund, and U.S. Bancorp CDC supported the purchase and installation of equipment used to create six production lines at GRUMA Corporation’s food manufacturing facility. The company plans to employ more than 500 workers and operate around the clock to keep up with the consumer demand for its tortillas and tortilla chips.

JOBS AND INVESTMENT

• 288 projects totaling $4.5 billion received $2.7 billion in NMTC allocation (at a cost to the federal government of $679 million).
• CDEs created 57,414 jobs in 2019, including 35,440 full-time equivalent (FTE) jobs and 21,973 temporary construction jobs. The federal cost per job comes to $12,144.

AREAS TARGETED

• Projects were located in nearly 200 cities in 48 states and territories.
• Eighty-six percent of projects were located in severely distressed communities far exceeding the statutory requirements for distress, and 26 percent of NMTC financing went to non-metropolitan counties with an additional 5 percent in rural areas of metropolitan counties.
• Five projects (1.7 percent) utilized the Target Population eligibility criteria. Those projects included a Meals on Wheels, a grocery store, a Detroit-based manufacturer, a youth center, and a homeless shelter.

TYPES OF PROJECTS

• Manufacturing was the most popular use of NMTC allocation (25.9 percent of 2019 Qualified Low-Income Community Investments) followed by healthcare (16 percent), mixed-use (10.2 percent), and childcare, youth, and family services (10 percent).

COMPONENTS OF PROJECTS

• NMTC financing supported 232 manufacturing and industrial businesses with working capital, new equipment, and seven million sq. ft. of new space.
• The NMTC expanded healthcare, recreational options, food security, job training, and other social services for 1.7 million individuals, including, but not limited to 1.1M patients in healthcare facilities and 116k children in childcare, schools, recreational facilities, mentorship programs, and other youth-related social services.
• Fifty-five percent of projects included at least one community facility, nonprofit, or social service component. Those new community resources add up to over 300 nonprofits, health centers, childcare centers, libraries, community centers, and other community facilities.
• Excluding small business financing, 98 percent of projects extended the benefits of the NMTC financing by including a Community Benefits Agreement (CBA). This is similar to 2018 when 97 percent of projects included a CBA.
• NMTC financing supported the construction or renovation of 15.1 million sq. ft. of real estate and the construction of 848 affordable housing units.

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

Survey of 2019 Projects

PROJECT TYPES

<table>
<thead>
<tr>
<th>PROJECT TYPE</th>
<th>PROJECTS</th>
<th>EXAMPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>MANUFACTURING, WHOLESALE, ENERGY, AND INDUSTRIAL</td>
<td>83</td>
<td>ResinTech Camden, NJ</td>
</tr>
<tr>
<td>HEALTHCARE</td>
<td>36</td>
<td>Ivinson Memorial Hospital’s Medical Clinic, Laramie, WY</td>
</tr>
<tr>
<td>PROJECTS SUPPORTING CHILDCARE, YOUTH, AND FAMILIES</td>
<td>29</td>
<td>Boys &amp; Girls Club of Puerto Rico Multiple Sites, PR</td>
</tr>
<tr>
<td>MIXED-USE</td>
<td>26</td>
<td>Indigo Block Worcester, MA</td>
</tr>
<tr>
<td>GROCERY STORES AND HEALTHY FOODS</td>
<td>17</td>
<td>Fine Fare Brooklyn, NY</td>
</tr>
<tr>
<td>NONPROFIT HUBS AND MULTI-PURPOSE SOCIAL SERVICES CAMPUSES</td>
<td>16</td>
<td>Serve Denton Center Denton, TX</td>
</tr>
<tr>
<td>RETAIL, RESTAURANTS, AND SERVICE SECTOR</td>
<td>13</td>
<td>Ablem Food Services Bronx, NY</td>
</tr>
<tr>
<td>SCHOOLS</td>
<td>11</td>
<td>North Florida School of Special Education Jacksonville, FL</td>
</tr>
<tr>
<td>MUSEUMS, THEATERS, ARTS, AND CULTURE</td>
<td>10</td>
<td>American Indian Cultural Center Oklahoma City, OK</td>
</tr>
<tr>
<td>OTHER MISC. COMMUNITY FACILITY AND NONPROFIT PROJECTS</td>
<td>10</td>
<td>Fort Wayne Rescue Mission Fort Wayne, IN</td>
</tr>
<tr>
<td>COLLEGE OR VOCATIONAL TRAINING</td>
<td>9</td>
<td>Enable Utah Ogden, UT</td>
</tr>
<tr>
<td>BUSINESS INCUBATORS AND ENTREPRENEURIAL RESEARCH SPACE</td>
<td>9</td>
<td>EagleKnit Utah Hub Muncie, IN</td>
</tr>
<tr>
<td>HOTELS AND TOURISM</td>
<td>4</td>
<td>Newport Hotel Newport, AR</td>
</tr>
<tr>
<td>HOUSING</td>
<td>3</td>
<td>East Liberty Housing Solutions Pittsburgh, PA</td>
</tr>
<tr>
<td>OTHER: MISC. SMALL BUSINESSES AND OFFICE SPACE</td>
<td>12</td>
<td>Interpre Building Solutions Springfield, MO</td>
</tr>
</tbody>
</table>

Note: More than 40 percent of these projects included multiple components. For example, while there were only 36 healthcare projects, several mixed-use projects, youth and families projects, and nonprofit hub projects included health clinics. While this data illustrates industry trends, the project components covered in the next pages provide a better picture of the program impact.
Survey of 2019 Projects

PROJECT SELECTION

For the first time this year, we asked CDEs to comment on how they initially heard of each project. CDEs reported a mix of sources for most projects. We reweighed the answers (if a respondent provided four sources for one project, their answers were weighted accordingly) and learned the following:

Borrower:
The most common sources of CDEs’ pipeline projects was directly from the NMTC borrower or project sponsor. Many borrowers apply directly through a CDE intake form by providing their project prospectus, through a cold call, or email. About half of projects sourced from borrowers engage a third-party, consultant, or grant-writer with a background in community development to make their case to a CDE.

Internal network, community affiliates, advisory board
The NMTC statute requires CDEs to maintain an advisory board with members from the low-income communities they serve. Many national or statewide CDEs have local, community-based affiliates who refer promising, high-impact projects to the CDE. LISC and Habitat for Humanity are two examples of CDEs with local offices across the country. CDEs affiliated with financial institutions are another example, as they typically have branches spread out throughout their service footprint.

Community-based organization, nonprofit service provider, local activists
Another common source of NMTC projects is from nonprofit service-providers, local chambers of commerce, minority business associations, or other community leaders with an interest in bringing jobs, services, and opportunity to their communities.

Financial Institutions
CDEs sometimes source projects through past NMTC investors, leverage lenders, or CDFI partners.

State, local, tribal economic development office
State, regional, and tribal governmental entities will quite often pitch projects to CDEs, and vice versa. Because these organizations are directly accountable to low-income community residents, they can pinpoint which projects need additional resources to go forward, the hallmark of an NMTC transaction.

Borrower is a previous or existing client
Banks refer existing customers whose lending needs cannot be met with conventional capital and refer them to a CDE with allocation. Also, CDEs might provide additional capital to businesses they financed in the past.

Other sources:
Other sources include media stories, word of mouth, community outreach events, formal research on community needs, and third-party CDEs who are out of allocation.

<table>
<thead>
<tr>
<th>How a CDE Learned of Project</th>
<th>Prevalence (weighted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>From the borrower</td>
<td>29.8%</td>
</tr>
<tr>
<td>Internal network, community affiliates, advisory board</td>
<td>17.5%</td>
</tr>
<tr>
<td>Community-based organization, nonprofit service provider, local activists</td>
<td>14.9%</td>
</tr>
<tr>
<td>Financial Institution</td>
<td>12.1%</td>
</tr>
<tr>
<td>State, local, tribal economic development office</td>
<td>7.9%</td>
</tr>
<tr>
<td>Borrower is a previous or existing client</td>
<td>6.1%</td>
</tr>
<tr>
<td>Media or local word of mouth</td>
<td>4.8%</td>
</tr>
<tr>
<td>Conference or community outreach workshop</td>
<td>3.1%</td>
</tr>
<tr>
<td>Conducted formal community needs assessment</td>
<td>2.1%</td>
</tr>
<tr>
<td>Another CDE</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

In 2019, NMTC Coalition Survey Respondents provided under $2 million in total allocation to 91 small businesses in 2019. A plurality of the businesses (28) were manufacturing businesses.

2.7K JOBS
Small business projects in 2019 created and retained over 2,700 jobs, including 1,100 construction jobs and 1,600 FTE jobs.

786K SQ. FT.
The 91 projects provided more than 786,000 sq. ft. in new or renovated space for small businesses.

$301M IN CAPITAL
The NMTC delivered $301 million in total project financing to small businesses in 2019.

VOICES FROM THE COMMUNITY

“The Jake’s ONE project, and our NMTC financing, has allowed this project to come to life and bring essential goods and services to local families. We are beyond excited to be a part of this project and look forward to its long-lasting impact on Burlington’s Old North End neighborhood.”

-Dick Jennings, Managing Director of Mascoma Community Development

Pacific Safety Solutions, Vista, CA
Old Springfield Fire Station Restoration, Springfield, MO

Survey of 2019 Projects
In 2019, 62 NMTC projects expanded or renovated healthcare facilities in low-income communities, including 26 federally-qualified community health centers.

**1.1M PATIENTS**
NMTC financing expanded healthcare access for over one million patients in 2019.

**2.7M SQ. FT.**
NMTC projects financed nearly three million square feet of space for health clinics, hospitals, Intensive Care Units, and treatment centers.

**$1.1B IN CAPITAL**
NMTC projects expanding healthcare access totaled $1.1 billion in 2019 and created 11,800 FTE and 4,699 construction jobs in communities with an average poverty rate of 30 percent.

**11k FTE JOBS**
In 2019, NMTC financing created over 11,000 manufacturing jobs.

**7M SQ. FT.**
NMTC projects financed nearly seven million square feet of space for manufacturers.

**$1.4B IN CAPITAL**
The NMTC delivered $1.4 billion in total project financing to NMTC projects supporting manufacturing.

**CAHEC New Markets**

Financed the Helping Up Mission Women’s and Children’s Center in Baltimore. The new, 135,057 sq. ft. facility will include up to 260 beds for a one-year residential substance abuse recovery program for women and their children who are experiencing poverty, homelessness, and addiction. The facility also includes a commercial kitchen, clothing distribution center, childcare area, classrooms, multi-purpose meeting room, primary care/wellness center, mental health service area, and a workforce development and education center.

**HEALTHCARE**

Expanding Healthcare Access

**In Philadelphia, PIDC Community Capital** provided NMTC financing toward the acquisition and rehabilitation of Galaski Labs, a vacant former manufacturer, into a mixed-use space. The commercial space will be occupied by a minority owned restaurant, offices of a women-owned landscape architectural and engineering services, and P3 Impact Hub which will serve as an incubator for minority-owned businesses. The project will also house 35 apartments.

**2019 Projects**

**MANUFACTURING**

Strengthening American Manufacturing

Invest Detroit financed the construction of a 109,188 sq. ft. expansion of MyLocker’s existing headquarters to increase capacity for inventory storage, receiving, production, and shipping. The project will provide much needed room for growth of MyLocker’s decoration and fulfillment business and more than double site employment.

**In 2019, 83 NMTC projects supported 232 manufacturing businesses ranging from food manufacturing to steel fabrication.**

**ITALPOLLINA USA INC.**

A developer of organic bio-stimulant fertilizers, used NMTC financing from Dudley Ventures to construct and equip a 15,000 sq. ft. research & development facility on a seven-acre site across from its existing operations in Anderson, IN.

**VOICE FROM THE COMMUNITY**

“When Stonehenge’s investment is a game changer that will not only allow us to grow now, but will also position us to remain competitive well into the future.”
– Leo Stanko, CEO of OTW Safety, an advanced manufacturer of that designs, engineers, and supplies high-quality safety barricades and is located in a highly distressed area of Salt Lake City.

**VOICE FROM THE COMMUNITY**

“We deeply appreciate the support and partnership with Florida Community Loan Fund. FCLF has proven to be a champion in supporting the mental health needs of our community.”
– Dr. Steven Ronik, CEO, Henderson Behavioral Health, Inc.
In 2019, the NRTC financed 16 nonprofit hubs providing low-cost space for nearly 50 social service providers and mission-driven organizations.

**2019 Projects**

**SOCIAL HUBS**

**Building Social Assets and Resilient Economies**

The sixteen projects provided more than one million in new or renovated space for nonprofits, community food hubs, and other service providers.

![Image of a community center]

**3.9K JOBS**

In addition to expanding social services, nonprofit hub projects created over 2,300 FTE jobs and nearly 1,600 construction jobs.

**1M SQ. FT.**

The NRTC delivered $303 million in total project financing to 16 projects supporting nearly 50 social service organizations.

**$303M IN CAPITAL**

**Supporting Youth and Families**

**YOUTH + FAMILIES**

In 2019, the NRTC financed 29 daycare centers, Boys and Girls Clubs, YMCAs, and other community facilities supporting early childhood education for over 63,000 youths.

In addition to expanding opportunities for young people, these projects created over 700 FTE jobs and 1,500 construction jobs.

**2.2K JOBS**

The 29 projects provided more than 625,000 in new or renovated space for children to learn and play.

**625K SQ. FT.**

The NRTC delivered $340 million in total project financing to YMCAs, Boys and Girls Clubs, and childcare facilities.

**$340M IN CAPITAL**

**VOICES FROM THE COMMUNITY**

"Thank you to PATH for helping me start a new chapter in my life," she said.

-Taylor Schaffer, a participant in the People Acting To Help (PATH) vocational training program.

The NRTC financed PATH’s new headquarters in Philadelphia.

"We hope to empower these groups and create a home for heritage within the Des Moines community. But we’re also proud to revolve this historical landmark and bring additional revenue to the East Village."

-Tim Waddell, vice–chair of the Des Moines Heritage Trust, about the rehabilitation of the East Des Moines Union Depot.

Midwest Minnesota CDC financed the construction of a new 65,199 SF, state-of-the-art YMCA facility that will also host Winona Health, Red Cross, and Live Well Winona organizations at tenants.

NTCIC financed the rehabilitation of the vacant Philip Morris Blended Leaf Complex in downtown Richmond, Virginia into a new headquarters for Congregations Around Richmond To Assure Shelter (CARITAS). The new facility will allow the organization to greatly expand the capabilities of their existing services, while also creating new programs to more effectively serve their community.

U.S. Bancorp Community Development Corporation financed the renovation of a building to house community and office space for nonprofit partners and new construction for a community food center in Denton, TX.

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2020 NMTC Progress Report

2019 NMTC Projects

INVESTOR TRENDS

THE LEVERAGE STRUCTURE
Nearly all NMTC investments involve the "lever- age 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, 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 passes the federal tax credits to the Investment Fund (its QEI in- vestor). In 2019, all qualified equity investments reported by survey respondents utilized the leverage structure.

When a CDE and a business work to finance an NMTC project through the leverage structure, they must secure an equity investor and sources of debt.

SOURCES OF EQUITY
Regulated financial institutions have historically provided a majority of the equity for NMTC transactions, and 2019 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. The price paid by investors for NMTC in exchange for NMTCs ranged between 73 and 91 cents, with an average price of 83.2 cents, down a bit from last year (86.5 cents).

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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.

The Office of the Comptroller of Currency made major changes to CRA in 2020. For more, see page 11.

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. Eight-six percent of 2019 NMTC proj- ects 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-six percent of 2019 survey respondents’ projects were located in non-metropolitan counties.

2019 NMTC Projects

COMMUNITY CHARACTERISTICS

86 percent of NMTC projects were in areas of deep distress.

CHARACTERISTICS OF COMMUNITIES RECEIVING INVESTMENTS
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2019 NMTC Projects

**TRIBES AND NATIVE POPULATIONS**

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

The Confederated Tribes of the Colville Reservation used NMTC financing to build a new adult residential treatment center in the heart of its ancestral-land in Keller, WA. The new treatment center was designed to embody the culture and values of the Tribe, and to seek a model of healing, sustainability, and culture.

NMTTC financing supported the construction of a Career Technical Education high school located within the Oglala Lakota Nation. Upon completion, the high school will be approximately 80,000 square feet, have a capacity of 400 students, and graduate between 100 and 150 students each year with career readiness skills.

The Confederated Tribes of the Umatilla Reservation is constructing a $24.7 million, 68,818 square foot education facility on its reservation in northeast Oregon. The investment increases enrollment from 75 to 140 students. The facility includes 54,000 sq. ft. for early childhood education, after-school programming, language classes, and Tribal education department administration offices.

Construction of a new $44.7 million, 93,000 sq. ft. comprehensive health center serving the Chippewa Cree Tribe and other community members in a very rural area. The new health center is replacing a prior facility elsewhere on tribal lands that was destroyed in a mud slide. Without this new facility, approximately 1,200 patients per year would be forced to travel 1-4 hours for heart, wound, diabetes and urgent care treatment.

The Coeur D’alene Tribe is building a youth wellness center to address generational issues of poor graduation rates, crime, drug-use, and suicide. The 32,200 sq. ft. facility will provide recreation space, boys and girls club programs and behavioral counseling and is expected to serve over 1,500 youths per month.

**VOICES FROM THE COMMUNITY**

“We have almost 200 kids in our youth programs. And we don’t have the space for them. We want our youth to have a place to call their own.”

-Lovina Louie of the Coeur D’alene Tribe’s healthcare organization, Marinn Health.

nmtccoalition.org/20th-anniversary

Documenting 20 years of community revitalization
The NMTC was authorized 20 years ago as part of a bipartisan effort to jump-start investment and economic growth in low-income urban neighborhoods and rural communities. These areas had experienced a long-term decline, through good economies and bad. Many of America’s small farming towns, urban neighborhoods, and post-industrial suburbs lacked access to the patient capital needed to support and grow businesses, create jobs, and sustain a healthy economy.

The following report, prepared by the New Markets Tax Credit Coalition, details the origins and successes of the NMTC over its 20 years in existence. The report also outlines programmatic trends, modifications, and, most importantly, the impact in America’s distressed communities.

**INTRODUCTION**

The NMTC was authorized 20 years ago as part of a bipartisan effort to jump-start investment and economic growth in low-income urban neighborhoods and rural communities. These areas had experienced a long-term decline, through good economies and bad. Many of America’s small farming towns, urban neighborhoods, and post-industrial suburbs lacked access to the patient capital needed to support and grow businesses, create jobs, and sustain a healthy economy.

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**ORIGINS**

**PREDECESSORS TO THE NMTC**

The roots of the NMTC can be traced back to the 1980s. Beginning with the Tax Reform Act of 1986 (PL 99-514), Congress increasingly looked to the tax code to encourage community development activities. The 1986 Act established the Low Income Housing Tax Credit (LIHTC), which is now the nation’s largest financier of affordable housing. The Omnibus Reconciliation Act of 1993 (PL 103-66) permanently codified the LIHTC and also created Renewal Communities, Empowerment Zones and Enterprise Communities, programs with defined geographies for revitalization. The 1993 act also created a pilot tax incentive for community development corporations. These programs not only served to assist individuals and families obtain affordable housing and build and grow small businesses, they helped provide investments in communities that revitalize local economies.

**A TAX INCENTIVE FOR COMMUNITY DEVELOPMENT**

The NMTC might not exist without the advocacy of a coalition of community development organizations called the Community Development Tax Credit Coalition (CDTCC), a national association of local, regional, and national organizations promoting and practicing economic development in economically disadvantaged urban and rural communities.

The coalition came together in December of 1998 with the shared vision of providing hard-pressed communities with new tools for revitalization. The economic prosperity of the 1990s passed over many long-distressed inner cities and rural areas. In 1999, nine years into an unprecedented period of economic expansion, it became clear that the tidal surge of economic activity was concentrated in a relatively small number of geographic areas. For many communities, the economic boom was a distant echo.

Before incorporating the coalition, many of its members had worked together with Rapoza Associates to advocate for the NMTC’s predecessor, the Community Development Corporations Tax Credit (CDCTC), a pilot program enacted in 1993. Under the program, individuals and corporations could claim a credit on their federal income taxes for cash grants and loans made to 20 CDCs selected competitively by the U.S. Department of Housing and Urban Development. Investors could claim a five-percent tax credit over ten years based on the amount their invested in the CDC. Investors could also claim their investment as a charitable deduction.

“The media...is bursting with news of the booming stock market and the race to invest but none of these investments is going to low income rural and inner city areas. According to PricewaterhouseCoopers, 90 percent of the nationwide investments have been flowing to high tech and Internet stocks and related industries. In our own State of Maine, regional disparities and major plant closings and downsizings are challenging employment and economic opportunity for tens of thousands of older as well as younger working families. These conditions are pronounced in other regions like Appalachia where poverty and unemployment have actually increased for many of its counties in recent years.

At the same time at the grassroots level, there are partnerships and alliances underway to rebuild our communities. Local government, private industry, the banking community, academic institutions and citizens are engaged.”

- Ron Phillips, President of Coastal Enterprises and a member of the New Markets Tax Credit Coalition, testifying March 21, 2000 at a hearing before the Subcommittee on Oversight of the House Ways and Means Committee.
NMTC 20th Anniversary Report

ORIGINS

Many of the country’s most innovative and effective CDCs used the CDTC to raise funds to encourage start-up businesses, support entrepreneurs, and create quality jobs with benefits. The pilot demonstrated that a generalized community development tax credit could succeed in delivering resources to community development organizations with roots in the War on Poverty and longstanding ties to the communities they served.

“The demonstration shows that the 1993 CDC tax credit can be a very good vehicle for promoting community development and that it should be reauthorized and expanded,” said the Brookings Institution in their 1998 report, “The CDC Tax Credit: An Effective Tool for Attracting Private Resources to Community Economic Development.”

CLINTON WEIGHS TAX INCENTIVES FOR COMMUNITY DEVELOPMENT

On the heels of his 1996 welfare overhaul, President Clinton believed strongly that he needed to do more to help low-income areas and people and began developing a new, broad, community development policy agenda. Within this framework, the idea of a community development tax credit began to gain momentum in the administration. The success of the Historic Rehabilitation Tax Credit and the Low-Income Housing Tax Credit in rehabilitating hundreds of buildings and creating hundreds of thousands of units of affordable housing also provided momentum for the effort.

As the White House worked to pass welfare reform, the Administration also first proposed a tax credit for Community Development Financial Institutions (through the newly created CDFI Fund). The idea evolved over the next two years, and eventually, the policy shop gravitated to the idea of a tax credit modeled after the CDC Tax Credit. A September 8, 1998, memo from Bruce Reed and Elena Kagan to the White House Domestic Policy Council Staff mentioned the Brookings research:

> “The demonstration shows that the 1993 CDC tax credit can be a very good vehicle for promoting community development and that it should be reauthorized and expanded,” said the Brookings Institution in their 1998 report, “The CDC Tax Credit: An Effective Tool for Attracting Private Resources to Community Economic Development.”

> The policy paper also suggested once again proposing a CDFI Tax Credit. Eventually, the ideas would blend into a general purpose tax credit for community development.

THE NEW MARKETS TAX CREDIT EMERGES

The Clinton administration first proposed the “New Markets Tax Credit” in the White House’s FY 1999 budget:

> “To help spur $6 billion in new equity capital, this tax credit is worth up to 25 percent for investments in a wide range of vehicles serving these communities, including community development banks, venture funds, and the new investment company programs created by this initiative (see below). A wide-range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.”

In his 1999 State of the Union address, Clinton stated, “I ask Congress to give businesses same incentives to invest in America’s new markets that they now have in to invest in foreign markets,” referring to Overseas Private Investment Corporation program, which incentivized investment in emerging markets.

On August 5, 1999, U.S. Representative Charles Rangel (D-NY) and U.S. Senator Jay Rockefeller (D-WV) introduced the New Markets Tax Credit Act of 1999 in their respective chambers. Senator Rockefeller made the following introductory remarks on the Senate Floor that day:

> “I rise today to introduce a new tool, the “New Markets Tax Credit,” to be used to expand economic development opportunities in low-income communities in West Virginia and across this country....

America’s most depressed economic areas desperately need private investment. They get very little not only because they are unattractive, but also because of misperceptions and market failures. A lack of information, for instance, means that many companies may have an exaggerated idea of the risk of investing in deprived areas, and often have no idea of potential markets. Yes, it is true that private venture capital investment rose 24% in 1998, 76% of the total went to technology-based companies—primarily in California’s Silicon Valley and New England’s high-tech corridors. But only 5.7% of all venture capital in 1998 went to South Central, Southwest and Northwest regions combined. Obviously, this is a huge disparity that needs to be corrected.

The goal of this tax credit will be to encourage private investors who may have never considered investing in high-risk areas to do so. By investing in the community through local businesses private investors can explore new markets and improve the quality of life for the people in the area. Community development organizations may use the funds from private investors to develop microenterprise, manufacturing businesses, commercial facilities, communities facilities, like child care facilities and senior centers and co-operatives...”

The initiative also drew strong support from two leading Republicans, Congressman J.C. Watts (R-OK) and Congressman Jim Talent (R-MO), who introduced their own “New Markets Initiative” bill that—among other things—would have created a “New Markets Tax Credit.”

To promote this and other policies to support low-income communities, Clinton embarked on “New Markets” tour of low-income areas in 1999.
At a November 4, 1999 stop at Englewood High School in Chicago, Clinton was joined by Speaker of the House Dennis Hastert, local Democratic Representatives Bobby Rush and Danny Davis, and Congressmen Talent and Watts.

In a handwritten note added to Clinton's formal remarks (above):

"Republicans, working with Danny Davis, have come up with...The American Renewal Act. This proposal shares many of the goals of our...[New Markets] proposal. Now we face a choice: We can take each of our proposals and battle each other. [Speaker Hastert] and I have decided to choose another path...[The Speaker, Watts, and Talent] have decided to work in good faith to merge our proposals in a historic, bipartisan effort to open new markets, renew our communities, and offer [opportunity] to all Americans."

Negotiations continued throughout the next year, with a few key points of contention. A May 18, 2000 memo by Bruce Reed on “Outstanding Issues” with the New Markets Initiative described some of the more colorful points of contention between the White House and Ways and Means Committee Chairman Bill Archer (R-TX).

3. New Markets Tax Credit

Points of Agreement
- Accept NMTC conceptually (not as a credit), with objective criteria for allocation to community development entities.

Outstanding Issues
- New Markets Tax Credit: Will we accept a deduction rather than credit? They say Archer is adamant. They suggest letting W&M and Treasury staff work out incentives = $1B, but not call it a credit. They say Archer can’t be seen backing down from statements made to Summers.

"When the FY 2001 budget was released, I called Michael Barr, Treasury’s point person on the NMTC," recalls Bob Rapoza. "Before I take credit for this increase in the budget," he joked, "can you tell me how it happened?" Barr told Rapoza that it was the President himself who had requested a larger program.

The Administration and Congress eventually reached a deal on a $25 billion package of community development incentives, the Community Renewal Tax Relief Act of 2000. The legislation authorized $15 billion toward the creation of the New Markets Tax Credit from 2001 to 2007. The program was not added as a permanent part of the tax code. Efforts to extend the program would fall to the newly created New Markets Tax Credit Coalition (formerly the Community Development Tax Credit Coalition). Through the work of the NMTC Coalition and its allies in Congress, the NMTC has been extended seven times and has become one of the crown jewels of the federal economic development toolkit. Today, the Coalition includes over 150 members from across the country working to revitalize communities left behind.
President Clinton signed the NMTC into law in December of 2000, so the job of implementing the program fell to the incoming Bush administration. The program resided at the Department of Treasury’s Community Development Financial Institutions (CDFI) Fund, a relatively new agency created in 1994 by Riegel-Neal Interstate Banking and Branching Efficiency Act.

Until the launch of the NMTC, the CDFI Fund had mostly administered grant programs supporting the growing CDFI movement. The Department of Treasury had very little under its purview in terms of programmatic administration of community development initiatives, so this was new territory. However, the program benefited from the experience of key Treasury officials, such as Eric Solomon and Paul Handelman, who had experience monitoring and drafting guidance for other economic development tax credits.

“Treasury and the IRS are regularly lobbied by lawyers, accountants and consultants representing investors, developers, syndicators, and property management companies, but not tenant groups or groups representing low-income people,” Handelman told the Northern California Record in 2016. “In drafting guidance, I tried, along with others, to keep in mind the ultimate beneficiaries of the programs and how our guidance will affect them. I like to think that I kept Treasury focused on the true purpose of the programs, which is to help low-income people and low-income communities.”

The IRS released the first temporary regulations, along with the Community Development Entity (CDE) certification application in December 2001. For the next two years, CDFI Fund staff - along with Department of Treasury officials at the Internal Revenue Service - crafted procedures for administering the program, including the allocation application, program guidance, and regulations. By the time the first application round opened in September of 2002, the CDFI Fund had certified 1,021 CDEs.

The IRS would release its final NMTC regulations in December of 2004.

FIRST AWARDS & PROJECTS

FIRST ROUND AWARDS

In September 2002, the CDFI Fund received 345 applications requesting a total of $22 billion in allocation. The CDFI Fund awarded the $2.5 billion first round of NMTC allocation in March of 2003 to 67 CDEs from 40 states and the District of Columbia. The CDEs ranged from nonprofit CDFIs already active in the CDFI Fund’s programs to organizations with track records in historic tax credits and the low-income housing tax credit. Of the 67 CDEs, 22 targeted national or multi-state service areas while 45 targeted specific states or localities. Award sizes ranged from $500,000 to Northside Community Development Fund (Pittsburgh, PA) to $170 million to Phoenix Community Development and Investment Corporation, the largest ever award.

EARLY PROJECTS

The first completed NMTC projects all involved the historic rehabilitation of vacant or underutilized buildings for commercial real estate. Those included the $5.8 million historic rehabilitation of the Dalton Building, a former bank in Rock Hill, SC; the rehabilitation of the Wheeling Stamp building in Wheeling, WV; the rehabilitation of the Hippodrome Theater in Baltimore, MD; and the rehabilitation of the Clark & Sorrell garage in Durham, NC (right). Through 2005, 47 percent of NMTC allocation went to projects involving historic rehabilitation, compared to under 29 percent from 2006-2019.

While the CDFI Fund announced the first NMTC awards in spring of 2003, most CDEs did not finalize allocation agreements until the fall of 2003. As is not uncommon with new programs, the deployment of the first round allocation was slower than the breakneck speed we can expect from today’s program. By the end of 2004, CDEs had deployed just over $1.1 billion of the $2.5 billion in first round allocation. For comparison, in 2018, CDEs deployed $5 billion in allocation in under 12 months.

That being said, as we noted in our inaugural NMTC Progress Report (2005), CDEs financed high impact projects in long-distressed communities in the first year of the program, including: the creation of the first new supermarket and shopping center in a low-income community in 30 years; economic revitalization and thousands of jobs in an urban community where past efforts foundered; development of a new facility for daycare and other community services that shows the potential to lead the way for other development; business expansion, job creation and opportunity in the heartland; and revitalization of the timber industry in northern Maine.

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 spin-off 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 at part of a vital tomorrow.”


“We have an opportunity today. There are investors who may be disappointed with stock market returns after riding the waves of the ‘dot-coms’ and the ‘tele-coms.’ We need to grab institutional and investors by the arm and say ‘Hey! look at my community there is a new era of opportunity, that of the low-com. Our low-income communities are in desperate need of investment capital and job opportunities.”


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IMPLEMENTATION

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STATUTORY CHANGES

NON-METROPOLITAN COUNTIES

By the end of 2005, CDEs had deployed over $3.3 billion to 609 NMTC projects in 45 states, the District of Columbia, and Puerto Rico. But early investments were largely concentrated in large metropolitan areas. In fact, while 20 percent of the population lived in non-metropolitan counties (right), only 9.2 percent of NMTC allocation reached rural, non-metropolitan counties through 2005. Through 2004, only 6.4 percent of projects were in non-metro counties.

In late 2004, Congress addressed the disparity in rural investment through the American Jobs Creation Act (PL 108-357). The law required the Secretary of Treasury to ensure non-metropolitan counties received a proportional share of NMTC allocation (set at 20 percent by the CDFI Fund, where it remains to this day). The legislation expanded eligibility to high out-migration rural census tracts with median incomes at or below 85 percent of the statewide median. These changes achieved their intended effect (more later in this report).

TARGET POPULATIONS

The American Job Creation Act (AJCA) of 2004 also expanded NMTC eligibility to non-eligible census tracts if the project primarily benefited low-income individuals, either by setting aside at least half of its workforce for low-income individuals or - for community facilities - providing over half of its services to low-income individuals.

LOW POPULATION TRACTS

One final change to the NMTC statute in the AJCA allowed low-population census tracts (under 2,000) to qualify if they bordered a qualified tract and were located in an Empowerment Zone.

SUPPLEMENTARY ROUNDS

THE 2005 HURRICANES

Disasters hit our most vulnerable communities the hardest. After Katrina, community development organizations - and the mission-driven service providers they support - played an important role in rebuilding and restrengthening communities that were already struggling with poverty and unemployment before the storm.

In the wake of Katrina, Congress passed The Gulf Opportunity Zone (GO Zone) Act of 2005, PL 109-135, which provided a temporary $1 billion expansion of the NMTC. Allocation was awarded to CDEs targeting the GO-ZONE in two competitive rounds: 2006 and 2007.

IMPACT

The GO-ZONE allocation generated an estimated $2 billion total economic activity and 23,000 jobs in high poverty disaster affected areas of the gulf coast.

Later, the NMTC later supported the recovery from Hurricanes Sandy (2012), Harvey, Irma, Matthew, and Maria (2017). When floods or tornadoes strike, communities turn to the NMTC to replace or repair damaged hospitals and buildings.

Prior to Hurricane Katrina, Ochsner Baptist Medical Center (formerly Memorial Medical) treated more uninsured patients than any other private hospital in the region. The National New Market Fund’s NMTC financing was structured as operational capacity to expand and re-open more than one million square feet of medical services space including: 100-bed surgical hospital, a senior living facility for 250 residents, outpatient imaging center, a radiation center and medical offices. The project is bringing much-needed health services and jobs back to New Orleans.

The Ed Roberts Campus, a shared, nonprofit campus formed by disability organizations, qualified for NMTC financing through the Target Populations eligibility criteria.
The NMTC Coalition analyzed 6,397 NMTC projects and found that 2,843 projects (44.4 percent) included at least one of the following: healthcare facilities or services, childcare, shared space for nonprofit, youth programs, municipal facilities, libraries, schools, recreational facilities, religious organizations, shelters, food pantries, adult education or vocational training, or other service providers supporting low-income communities. Of those 2,843 projects, we identified 704 projects that are awarded NMTC allocations track over 200 variables for each investment.

**JOB CREATION**

In the NMTC Coalition’s 2017 macroeconomic analysis of the NMTC’s impact, we found that the program created over one million direct, indirect, and induced construction and full-time-equivalent jobs between 2003 and 2015. More recently, a May 2020 analysis of CDFI Fund data and NMTC Coalition survey data found that the program directly generated over one million jobs through 2019, including 484,182 full-time equivalent (FTE) permanent jobs and 544,172 temporary construction jobs.

**COMMUNITY FACILITIES, NONPROFITS, SERVICE PROVIDERS**

The NMTC allocation application rewards applicants with a significant track record of job creation, but it also supports CDEs seeking to expand access to healthcare and daycare centers, finance new schools, YMCAs, and community centers, and help prepare a 21st-century workforce through vocational training.

Often, NMTC projects involve the co-location of several community-based organizations. For example, mixed-use projects often include space for nonprofits or healthcare facilities. The program also finances a good deal of multi-purpose social service hubs.

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The Sorensen Unity Center, Salt Lake City, UT

Financed in 2006 by U.S. Bancorp CDE, the Sorenson Unity Center is a one-story, 26,500 sq. ft. facility that contains a health center, a performance and reception area, gallery space, and flexible rental space for various community uses. In addition, the facility provides vocational and technical training through Salt Lake City Community College for educationally, socially, and or economically disempowered individuals. It also provides full-service dental treatment through Salt Lake City Donated Dentist Services (SLDDS), and a provides a Computer Center, which offers 14 personal computers, scanners, and laser printers.
COMMUNITY IMPACT

A MATURING PROGRAM: TRENDS

Because the NMTC can finance almost anything a community needs, the program continues to evolve as the communities face new challenges. The program also made significant efficiency gains as stakeholders gained experience with the regulatory regime. As more businesses, nonprofit trade associations, and community leaders gained familiarity with the program, competition for NMTC financing also increased.

In fact, every participant in the NMTC program faces stiff competition. Investors compete for projects, CDEs compete for allocation, and of course, hard-hit communities compete for increasingly scarce resources. As a result, the program has matured significantly over the past two decades. Experience, competition, and creativity have combined to test the limit of what can be accomplished in terms of community impact.

LOCATION OF INVESTMENTS

The most striking trend is the increasingly equitable distribution of NMTC allocation to every geographical area of the country. In 2011, the CDFI Fund began to provide additional consideration to applicants pledging to invest in states and geographic areas underserved thus far by the program. For example, only $47.8 million in allocation reached Nebraska’s low-income communities from 2003-2012. After the CDFI Fund gave consideration to applicants targeting Nebraska, and $213 million reached the state from 2013-2017. The chart below shows the number of zip codes receiving at least one NMTC investment to date.

CENTRAL BUSINESS DISTRICTS

Over the years, NMTC investments have shifted away from the Central Business Districts (CBDs) of large cities. While the CBDs of many smaller, severely distressed Main Street communities struggle with vacant buildings, poverty, and economic distress, the CBDs in large cities have fared well over the past two decades. Accordingly, urban NMTC projects shifted toward other, more highly distressed areas. Some CBDs are no longer eligible for the NMTC.

Our analysis of NMTC investments found a noticeable decline in the share of NMTC investments in CBDs. From 2001-2009, more about 12 percent of NMTC allocation was placed within one mile of a CBD. The share of projects in close proximity to CBDs declined significantly in recent years. From 2010 to 2019, just over 6 percent of projects were located within one mile of a CBD.

CHILDCARE & YOUTH PROGRAMS

Serving over 200,000 children, including over 100 at Bright Beginnings in Washington, DC (below).

SCHOOLS

Serving over 365,000 children, including a new high school facility financed in 2017 for Cristo Rey Atlanta (above), a private Catholic college preparatory high school serving low-income students.

HOMELESS SHELTERS & FOOD PANTRIES

NMTC-financed food banks serve over 10 million people annually, including the Houston Food Bank (above).

AFFORDABLE HOUSING UNITS

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

ARTS/CULTURAL FACILITIES

Including museums, theaters, and performing arts centers.

RECREATION FACILITIES

Serving 121,506 people annually. Includes 69 YMCA/YWCAs and 48 Boys and Girls Clubs.

ADULT EDUCATION & VOCATIONAL TRAINING

Including community colleges, workforce training, employment services, and occupational therapy.

HEALTHCARE PROVIDERS

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**A MATURING PROGRAM: TRENDS**

**RURAL TARGETING**

As discussed earlier, in 2004, Congress required non-metropolitan areas to receive a proportional share of allocation. The results, in the chart above, speak for themselves. The table below shows trends using the U.S. Department of Agriculture’s Rural-Urban Commuting Area codes.

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1  METROPOLITAN AREA CORE: PRIMARY FLOW WITHIN AN URBANIZED AREA LARGE UC</td>
<td>49%</td>
<td>48%</td>
<td>47%</td>
<td>46%</td>
<td>45%</td>
<td>44%</td>
<td>43%</td>
<td>42%</td>
<td>41%</td>
<td>40%</td>
<td>39%</td>
<td>38%</td>
<td>37%</td>
<td>36%</td>
<td>35%</td>
<td>34%</td>
</tr>
<tr>
<td>2  METROPOLITAN AREA HIGH COMMUTING: PRIMARY FLOW 30% OR MORE TO A UA</td>
<td>4.4%</td>
<td>4.3%</td>
<td>4.2%</td>
<td>4.1%</td>
<td>4.0%</td>
<td>3.9%</td>
<td>3.8%</td>
<td>3.7%</td>
<td>3.6%</td>
<td>3.5%</td>
<td>3.4%</td>
<td>3.3%</td>
<td>3.2%</td>
<td>3.1%</td>
<td>3.0%</td>
<td>2.9%</td>
</tr>
<tr>
<td>3  METROPOLITAN AREA LOW COMMUTING: PRIMARY FLOW 10% TO 20% TO A UA</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.5%</td>
<td>0.6%</td>
<td>0.7%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>1.1%</td>
<td>1.2%</td>
<td>1.3%</td>
<td>1.4%</td>
<td>1.5%</td>
<td>1.6%</td>
</tr>
<tr>
<td>4  MICROPOLITAN AREA CORE: PRIMARY FLOW WITHIN AN URBAN CLUSTER OF 15,000 TO 49,999 LARGE UC</td>
<td>0.6%</td>
<td>0.7%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>1.1%</td>
<td>1.2%</td>
<td>1.3%</td>
<td>1.4%</td>
<td>1.5%</td>
<td>1.6%</td>
<td>1.7%</td>
<td>1.8%</td>
<td>1.9%</td>
<td>2.0%</td>
<td>2.1%</td>
</tr>
<tr>
<td>5  MICROPOLITAN HIGH COMMUTING: PRIMARY FLOW 30% OR MORE TO A LARGE UC</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.5%</td>
<td>0.6%</td>
<td>0.7%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>1.1%</td>
<td>1.2%</td>
<td>1.3%</td>
<td>1.4%</td>
<td>1.5%</td>
<td>1.6%</td>
</tr>
<tr>
<td>6  MICROPOLITAN LOW COMMUTING: PRIMARY FLOW 10% TO 20% TO A LARGE UC</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.5%</td>
<td>0.6%</td>
<td>0.7%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>1.1%</td>
<td>1.2%</td>
<td>1.3%</td>
<td>1.4%</td>
<td>1.5%</td>
<td>1.6%</td>
</tr>
<tr>
<td>7  SMALL TOWN CORE: PRIMARY FLOW WITHIN AN URBAN CLUSTER OF 1,500 TO 9,999 SMALL UC</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.5%</td>
<td>0.6%</td>
<td>0.7%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>1.1%</td>
<td>1.2%</td>
<td>1.3%</td>
<td>1.4%</td>
<td>1.5%</td>
</tr>
<tr>
<td>8  SMALL TOWN HIGH COMMUTING: PRIMARY FLOW 30% OR MORE TO A SMALL UC</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.5%</td>
<td>0.6%</td>
<td>0.7%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>1.1%</td>
<td>1.2%</td>
<td>1.3%</td>
<td>1.4%</td>
<td>1.5%</td>
<td>1.6%</td>
</tr>
<tr>
<td>9  SMALL TOWN LOW COMMUTING: PRIMARY FLOW 10% TO 20% TO A SMALL UC</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.5%</td>
<td>0.6%</td>
<td>0.7%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>1.1%</td>
<td>1.2%</td>
<td>1.3%</td>
<td>1.4%</td>
<td>1.5%</td>
<td>1.6%</td>
</tr>
<tr>
<td>10 RURAL AREAS: PRIMARY FLOW TO A TRACT OUTSIDE A UA OR UC</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.5%</td>
<td>0.6%</td>
<td>0.7%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>1.1%</td>
<td>1.2%</td>
<td>1.3%</td>
<td>1.4%</td>
<td>1.5%</td>
</tr>
<tr>
<td>11 NOT CODED: CENSUS TRACT HAS ZERO POPULATION AND NO RURAL URBAN IDENTIFIER INFORMATION</td>
<td>0.0%</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.5%</td>
<td>0.6%</td>
<td>0.7%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>1.1%</td>
<td>1.2%</td>
<td>1.3%</td>
<td>1.4%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

**INDUSTRY TRENDS**

In the early years of the program, well over half of NMTC projects lacked the sort of community facility or social service provider components discussed on the previous pages. The most noticeable trends in project selection are the shift away from retail, the service sector, accommodation, and commercial office space toward community facilities and manufacturing (see chart below).

**NMTC ALLOCATION BY INDUSTRY, 2001-2019**

**YUKON KOYUKUK ELDER ASSISTED LIVING FACILITY**

**GALENA, AK**

Senior housing and for-sale housing are essential to a united community of stable families and strengthen those social networks. In the community of Galena, Alaska there was no option for this type of housing, forcing elders to move 100 miles away to Tanana, breaking the vital link between the generations. The move also shortened life spans as elders were moving from a high-protein, low carbohydrate subsistence diet tailored to Native culture to a different diet tailored to non-Native residents. Five federally recognized Alaska Native tribes came together to build the facility in central Alaska: Nulato Tribe, Louden Tribe, Native Tribe of Koyukuk, Ruby Tribe and the Kaltag Tribe. The tribes needed a conveniently located facility for their elders, which was made feasible through New Markets Tax Credit (NMTC) financing from Travois New Markets, LLC and an equity investment by U.S. Bancorp Community Development Corporation.
NMTC 20th Anniversary Report

A MATURING PROGRAM: TRENDS

BUSINESS AND COMMERCIAL REAL ESTATE FINANCING BY INDUSTRY

The chart above shows trends in projects involving business financing and commercial real estate ("commercial"). For the purposes of our analysis, these projects are defined as any project without a community facility, nonprofit, or social service component. Commercial projects expand job opportunities and entrepreneurship in distressed communities. Many of these projects directly generated more than 1,000 jobs.

INDUSTRIAL SECTOR
As the program matured, CDEs increasingly used NMTC financing to help triage American manufacturing, which has suffered a decades’ long slump in terms of its share of the U.S. economy. Between 2001 and 2019, manufacturing fell from 27 percent to 21 percent of U.S. non-government Gross Domestic Product (GDP). As a share of commercial financing, industrial projects now account for well over half (58 percent) of all NMTC financing dollars after accounting for under 25 percent of all NMTC financing from 2001-2009.

OTHER TRENDS
CDEs have increasingly financed business incubators, research labs, and entrepreneurial spaces along with grocery stores. CDEs shifted away from non-grocery retail, restaurants, and automotive businesses, though the financing of automotive retailers increased in the early years of the Great Recession as CDEs helped triage the automotive industry.

Hotel projects, which are often a linchpin for restoring downtown foot traffic and tourism spending, generating state and local tax revenue, and providing accessible job opportunities, have declined as a share of allocation directed toward commercial real estate. Early in the program, many CDEs promoted the revitalization of central business districts through the historic rehabilitation of vacant and abandoned buildings in to commercial real estate, including hotels. As program competition increased and central business districts recovered from decades of decline, project location shifted outside these districts toward areas of higher distress. Hotel projects declined from 9.7 percent of all commercial financing (and 5.8 percent of all project financing) from 2001-2010 to 5.5 percent of commercial financing (and 3.3 percent of all financing) between 2011 and 2019.

The energy and natural resources category on the previous page’s chart includes sustainable timber and clean energy projects. The latter experienced a growth in popularity after the advent of several clean energy financing tools during the second term of George W. Bush and the first term of Barack Obama.

Martinsville Clean Energy Project, Martinsville, VA
The Martinsville Clean Energy project successfully combined Investment Tax Credits and New Markets Tax Credits for the design, construction and installation of state-of-the-art clean energy generation technology into an anaerobic digestion facility in rural Martinsville, Virginia. The installation of the new technology allows the facility to process food waste (which could not be processed by the City facility) into biogas, which is then used to lower energy costs and provide environmental remediation for Monogram Foods, a major food processing and manufacturing facility. The project was financed by DV Community Investment, LLC.
NMTC 20th Anniversary Report

A MATURING PROGRAM: TRENDS

COMMUNITY FACILITY TRENDS
In terms of community facilities, CDEs have increasingly financed multi-component community facilities, daycare and youth-oriented projects, emergency service providers, and YMCAs. Theaters and museums, single-family housing, general purpose charities, and religious facilities have declined in popularity as a share of annual NMTC allocation.

NMTC ALLOCATION TO COMMUNITY FACILITIES AND NONPROFITS, BY INDUSTRY

Mixed-use Community Facilities, Nonprofit Hubs
Healthcare
Youth and Family Services, Daycare, Youth Programs
Schools, Libraries, Municipal Facilities
Arts and Cultural
Recreation (Mostly YMCAs)
Affordable Housing (mostly single-family)
Emergency Shelters and Community Food
Religious Organizations, Foundations, and Other Nonprofits