

February 1, 2017

Annie Donovan
Director
CDFI Fund
U.S. Department of the Treasury
1801 L Street, NW, 6th Floor
Washington, D.C. 20036

Dear Annie:

The New Markets Tax Credit Coalition wishes to express concern with two changes that may have the unintended effect of making the provision of working capital and the financing of equipment more difficult for 2015/2016 allocatees.

1. In supplemental guidance for “innovative uses” provided to 2015/2016 NMTC allocatees, the CDFI Fund made a change to the definition of a non-real estate QLICI to exclude any loan or equity investment where a portion of the QLICI proceeds are used for real estate activities. Many CDEs provide financial products that blend real estate activities and working capital or the purchase of a tangible asset like equipment. Under the previous guidance, in cases where a majority of the proceeds of a QLICI support working capital or equipment purchases, a QLICI could be categorized as non-real estate. Under the new supplementary guidance, if even a dollar of QLICI proceeds supports real estate activities, the QLICI would be categorized as non-real estate. Because this change occurred after allocatees submitted their 2015/2016 applications, it will make it more difficult for CDEs to provide the financial products described in their applications and meet their commitments to “innovative uses”.
2. In the August 2016 update of the CIIS Transaction Level Reporting guidance, allocatees financing business loans were instructed that “no jobs should be reported for the purchase of fixed assets or equipment.” This will also make it more difficult for 2015/2016 allocatees to meet their commitments to innovative uses.

The NMTC Coalition supports the CDFI Fund’s continued efforts to ensure NMTC program transparency and accountability. We would like to request a meeting with you and some practitioners to discuss how the changes might be clarified to ensure that the NMTC continues to support both real estate and business lending.

Sincerely,

Robert A. Rapoza