NEW MARKETS
TAX CREDIT COALITION

NEW MARKETS TAX CREDIT
New Member Briefing Report
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NM03

nmtccoalition.org

A report on the loans and investments in New Mexico's 3rd CD and beyond
Above: Navajo Tribal Utility Authority Electrical Substations

NMTC IMPACT IN NM03

INVESTMENT AND PROJECT EXAMPLES

8

PROJECTS FINANCED IN NM03

8 NMTC projects have been financed in New Mexico's 3rd Congressional District.

$230M

IN TOTAL CAPITAL IN NM03

The NMTC delivered $230M in total capital to businesses and revitalization projects in New Mexico's 3rd Congressional District.

El Camino Crossing

Santa Fe, NM

20 energy efficient homes for Homewise, Inc in Sante Fe

Navajo Tribal Utility Authority Electrical Substations

Shiprock, NM

Financing for the construction of two electrical substations on the Navajo Nation Reservation. The new substations doubled electrical capacity to the Shiprock region without raising residents' electric rates and brought 400 families, previously without power, onto the grid.

NMTC IMPACT IN NEW MEXICO

JOBS AND INVESTMENT

7.2K

JOBS STATEWIDE

The NMTC created 7.2K New Mexico jobs.

29

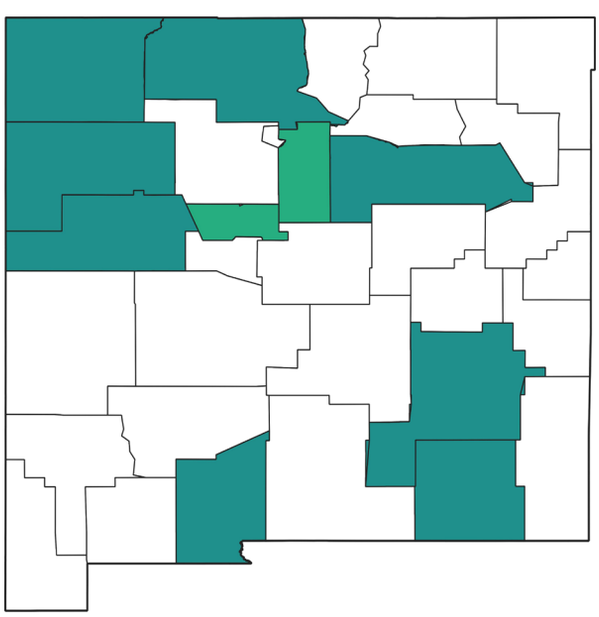
PROJECTS FINANCED IN NEW MEXICO

The NMTC made 29 New Mexico projects possible, including manufacturing expansions, business incubators, hospitals, vocational training centers, and daycare centers.

$785.3M

IN TOTAL CAPITAL TO NEW MEXICO

The NMTC delivered $785.3M to New Mexico businesses and revitalization projects that would not have been possible but-for the NMTC.



NMTC Investment by County 2003-2020 (2Q)

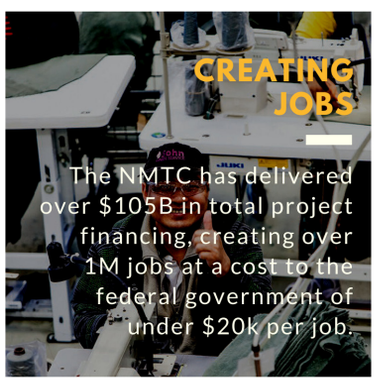
- $1 - 100,000
- $100,000 - 500,000
- $500,000 - 1,000,000
- $1,000,000 -10,000,000
- $10,000,000 - 100,000,000
- $100,000,000 - 500,000,000
- $500,000,000+

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

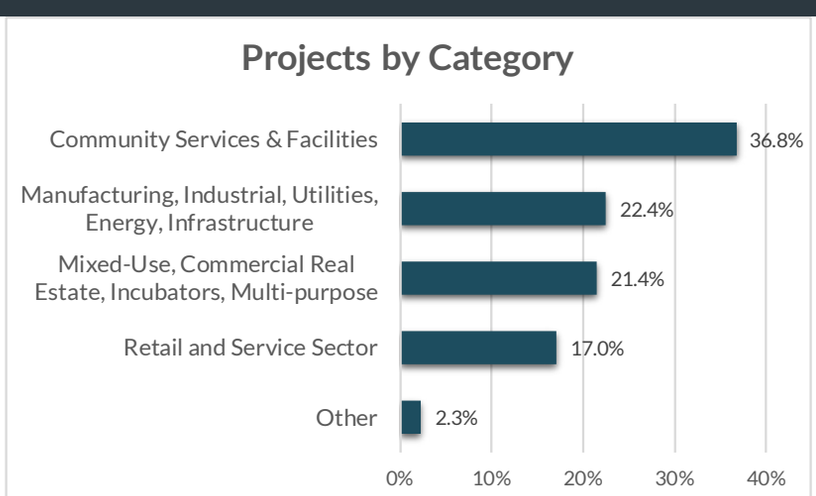
The New Markets Tax Credit (NMTC) is an important source of financing for businesses and community facilities in America's most distressed rural and urban communities. Congress authorized the NMTC in 2000 to bring down the cost of capital in communities outside of the economic mainstream. Taxpayers receive 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



INDEPENDENT EVALUATION

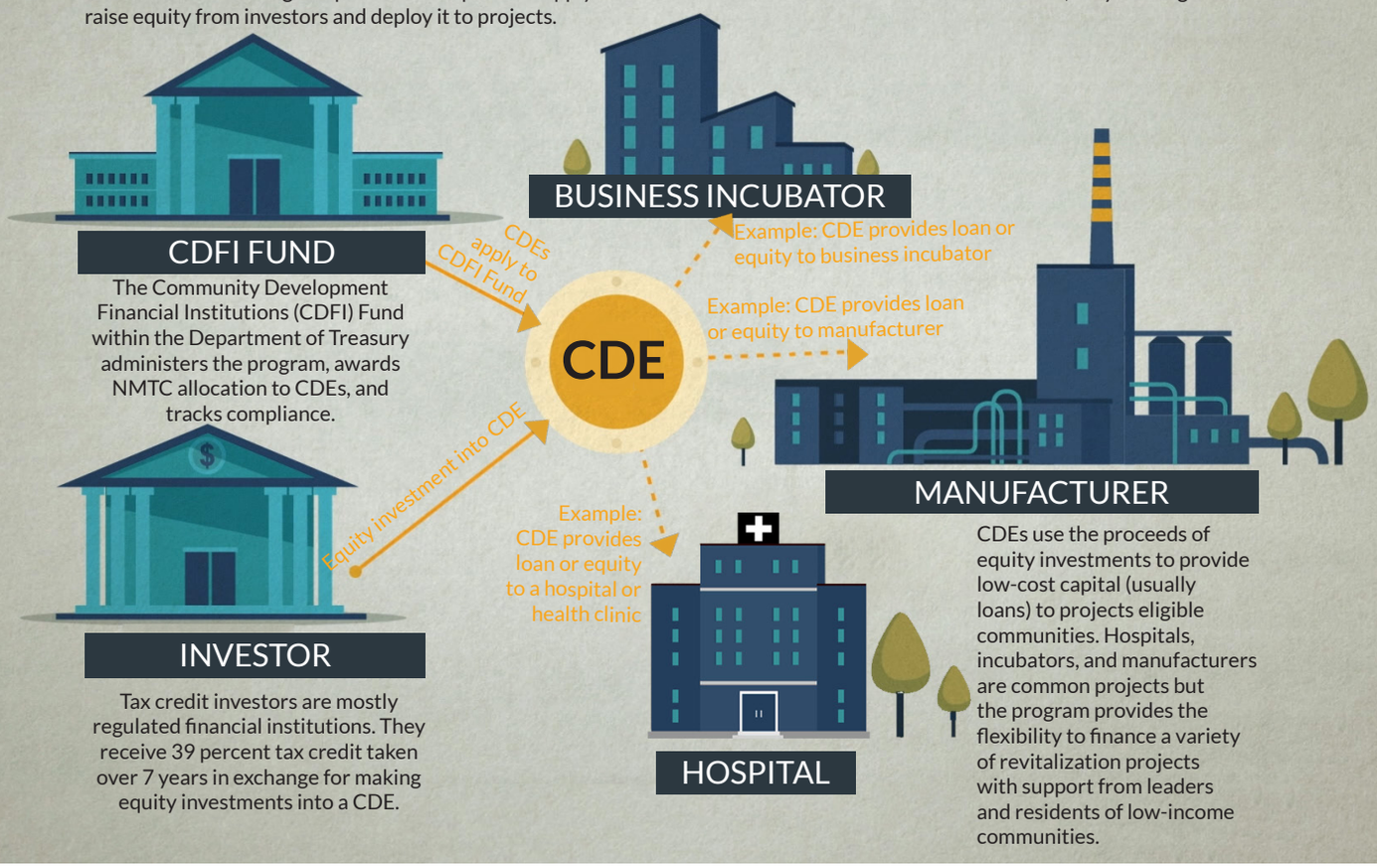
An independent compliance review by Summit Consulting found that program participants are significantly lowering the cost of capital for borrowers in low-income communities and exceeding statutory and regulatory requirements for the targeting of economic distress.



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.



CDFI FUND

The Community Development Financial Institutions (CDFI) Fund within the Department of Treasury administers the program, awards NMTC allocation to CDEs, and tracks compliance.

INVESTOR

Tax credit investors are mostly regulated financial institutions. They receive 39 percent tax credit taken over 7 years in exchange for making equity investments into a CDE.

CDEs use the proceeds of equity investments to provide low-cost capital (usually loans) to projects eligible communities. Hospitals, incubators, and manufacturers are common projects but the program provides the flexibility to finance a variety of revitalization projects with support from leaders and residents of low-income communities.

ELIGIBLE COMMUNITIES

NMTC projects must be located in census tracts with poverty rates of at least 20 percent or median incomes at or below 20 percent of the area median. However, over...

75% of NMTC projects are located in ***severely distressed communities*** that far exceed the statutory requirements for distress.

WHAT ABOUT RURAL?

The NMTC statute directs the CDFI Fund to ensure NMTC allocation reaches a proportional share of non-metropolitan counties.

21% of NMTC projects were located in non-metropolitan counties in 2019.

GAP FINANCING

Example: Imagine a business needs $15 million to expand a production facility and purchase new equipment to meet growing demand. The business can only come up with $12 million from a conventional lender. The NMTC fills the gap and makes the expansion possible.

$15 MILLION TOTAL PROJECT COST

$12 MILLION IN CONVENTIONAL FINANCING	NMTC FILLS $3 MILLION GAP

ONLINE RESOURCES

NMTC Coalition:	nmtccoalition.org
State Fact Sheets:	nmtccoalition.org/state-fact-sheets
Project Database	nmtccoalition.org/projects
How It Works Video:	nmtccoalition.org/how-it-works
Research:	nmtccoalition.org/research
Statute:	nmtccoalition.org/statute
CDFI Fund:	cdfifund.gov

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