



NEW MARKETS  
TAX CREDIT COALITION

THE  
**NEW MARKETS TAX CREDIT**  
*Progress Report 2016*



A Report by the New Markets Tax Credit Coalition  
June 2016



## 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 of this report.

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ampersand graphic design, Boulder, CO, provided valuable assistance in the preparation of this report.

***About the Cover***

*The Sibley Building project transformed a one million square foot vacant building in Rochester, NY, into retail, professional offices and health care services, apartments and business incubation space for high-tech research and development. Boston-based WinnDevelopment closed the deal with \$20 million of NMTC allocation from RBC Community Development, \$12.4 million from Urban Research Park CDE, and \$8.35 million from Community Impact Capital. PNC Bank, N.A. was the tax credit investor and also provided \$1.76 million in NMTC allocation from its affiliated CDE. The project will create 1,566 temporary construction jobs, 1,042 permanent FTE jobs, 75 market-rate apartments and 21 affordable apartment units and will spur an immediate direct catalytic investment of \$148.4 million within the community. Rendering by Winn Development.*

*Project Housing, Opportunities, Medical Care, Education utilized New Markets Tax Credit financing from LISC New Markets Support Company to expand services and space to serve its mission of combating homelessness and poverty in Philadelphia, PA. PNC Bank provided NMTC equity.*





## COMMUNITY DEVELOPMENT ENTITY (CDE) SURVEY OF 2015 NMTC ACTIVITY: BY THE NUMBERS

Every year, the NMTC Coalition sends a survey to all CDEs that have received NMTC allocations. The survey requests information on each CDE's NMTC activity in the previous calendar year. The Coalition's most recent survey of CDEs covered NMTC activity in the 2015 calendar year. The following findings bolster the case that the NMTC continues to serve as an effective tool for driving capital to areas of economic distress:



**Representing \$19.1 billion in total allocation (2003-2015),  
65 CDEs responded to the survey and reported on their  
2015 NMTC activity. Those respondents reported:**

- ▶ **\$1.6 billion** in Qualified Equity Investments;
- ▶ **\$1.8 billion** in Qualified Low Income Community Investments;
- ▶ **\$3.6 billion** in total project financing;
- ▶ **194 businesses and projects** received NMTC financing;
- ▶ **625** affordable housing units created;
- ▶ **81.3%** of NMTC investments were made in severely distressed communities;
- ▶ **11.5 million square feet** of commercial, industrial, or community facility constructed or renovated;
- ▶ **44,992** total jobs created or retained by projects closing in 2015, at a cost per job of \$8,667, including:
  - **26,288** full-time jobs;
  - **18,704** construction jobs; and
- ▶ **\$4.1 billion** in projects in the pipeline for 2016.

### **All this adds up to:**

Billions of dollars in private investment in businesses, at a modest cost to the government; the creation of thousands of construction and permanent jobs; financing for credit-starved, small and medium-sized businesses and revitalization efforts in the nation's most distressed urban and rural communities.







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# INTRODUCTION

This twelfth annual New Markets Tax Credit (NMTC) Progress Report by the NMTC Coalition is designed to inform policymakers and practitioners on how the NMTC works and to document the latest trends and successes of the Credit in contributing to the revitalization of urban and rural communities across America.

The report highlights findings from the Coalition's annual survey of Community Development Entities (CDEs) with NMTC allocations. The survey collected data from CDEs on their progress raising capital as well as making loans and investments in 2015 with the NMTC.

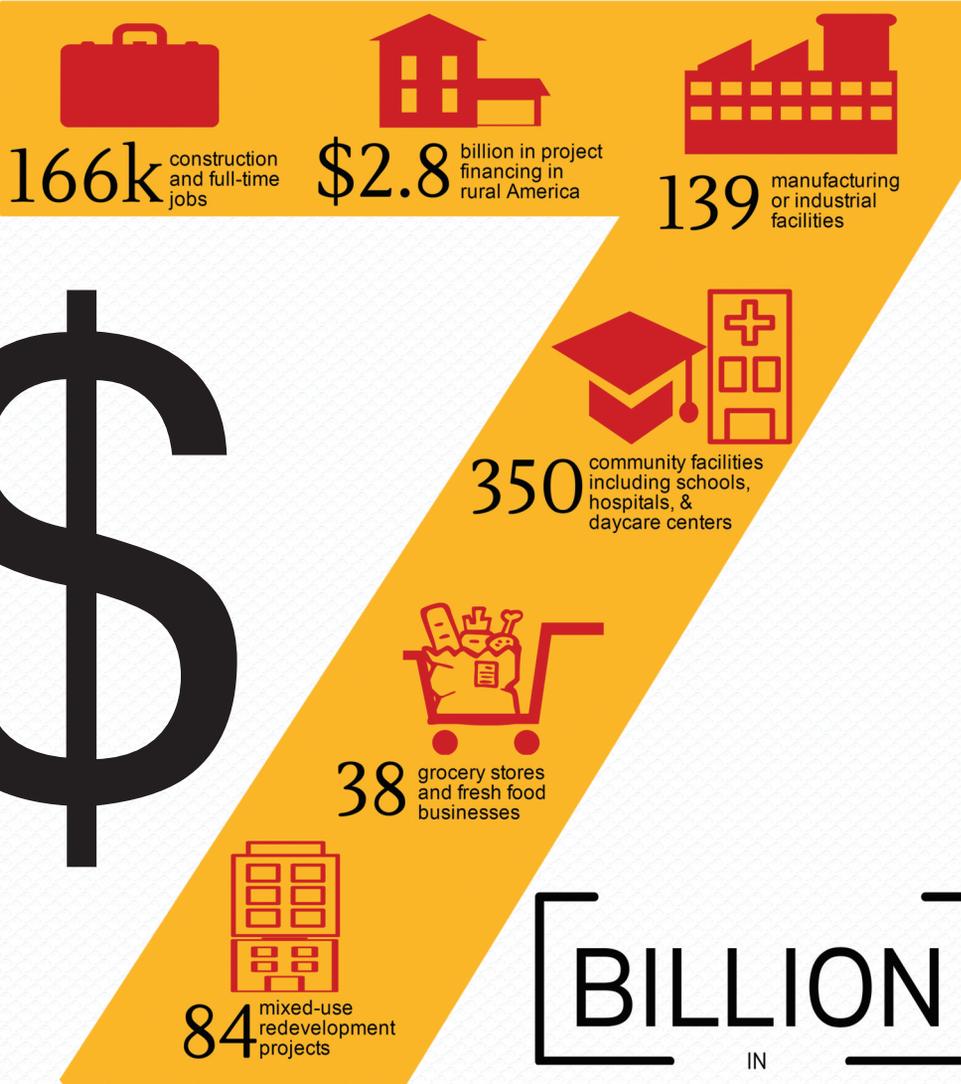
Our findings show the NMTC continues to serve as an efficient incentive for community renewal. Reported jobs numbers reinforce recent job creation analysis by the United States Department of the Treasury's Community Development Financial Institutions (CDFI) Fund, in addition to the conclusions in the Coalition's *Economic Impact Report*, which analyzed data from 2003 to 2012.

The *2016 NMTC Progress Report* was prepared for the New Markets Tax Credit Coalition, a national membership organization of CDEs and investors organized to advocate on behalf of the NMTC.



*The development of the Washoe Travel Plaza will produce a sustainable source of revenue for this Nevada and California tribe along with 125 jobs on Native American land. The project, which was financed by Clearinghouse CDFI, is part of a recent surge in NMTC activity in Nevada. Learn more at [nmtccoalition.org/nevada](http://nmtccoalition.org/nevada)*

COMING SOON...



# NEW MARKETS TAX CREDIT ALLOCATION AWARDS

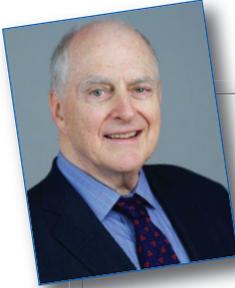
Largest ever allocation award

Coming this fall to low income communities

Learn more at [nmtccoalition.org](http://nmtccoalition.org)

Community impact estimates based on NMTCCoalition analysis of more than 4,000 NMTC projects

## Treasury to Provide Largest New Markets Tax Credit Allocation in History



### A NOTE FROM THE PRESIDENT OF THE NMTC COALITION, BOB DAVENPORT

In April, the CDFI Fund at the Department of Treasury announced plans to implement the largest and longest authorization of the New Markets Tax Credit (NMTC) since the Credit was established in 2000. The NMTC, which has attracted bipartisan support in a political environment that is often anything but unified, is a market-driven approach to community development and poverty alleviation. The program's supporters range from tea party conservatives to liberal democrats. No one can argue with the tangible results: 750,000 jobs and over \$ 75 billion in total capital investment to businesses and revitalization projects in communities with high rates of poverty and unemployment.

The NMTC is often the only tool available to generate investment in community revitalization efforts or finance small business expansion, manufacturing ventures, childcare and healthcare facilities, new grocery stores or supermarkets, among others. By offering investors a modest credit against tax liability for investing in low income communities, the NMTC injects private sector dollars into projects in "New Markets," that require a financial boost.

Despite its success and support, the fate of the NMTC has been uncertain, with short-term and often retroactive authorizations. However, Congress took action in December 2015, passing The PATH Act, which extended NMTC from 2015 to 2019, providing \$ 3.5 billion in annual credit authority for a total of \$ 17.5 billion

In the CDFI Fund announcement, the agency stated it will combine the 2015 and 2016 authorizations and award \$ 7 billion later this year. After this combined round, Treasury will make three additional allocations of \$ 3.5 billion in 2017, 2018, and 2019. Combining the 2015 and 2016 rounds makes sense since the delayed and often last-minute authorizations had pushed the credit timing off track. Beginning in 2017, the CDFI Fund will be in a position to make allocation awards in the year in which credit are authorized. This move has precedent—the Bush Administration took similar measures to combine rounds during the launch of the NMTC.

America's recovering communities are fortunate to have strong champions in Congress on both sides of the aisle. In the Senate, Roy Blunt (R-MO) and Chuck Schumer (D-NY) introduced a bill to make the NMTC permanent. There is a companion bill in the House led by Representatives Pat Tiberi (R-OH), Richard Neal (D-MA) and Tom Reed (R-NY). Senator Ben Cardin (D-MD), an original cosponsor of the Senate bill, and Rep. Neal were instrumental in this newest action, both reaching out to Treasury Secretary Jack Lew to convey their support for combining the rounds to deliver capital to neighborhoods and small towns still struggling seven years after the Great Recession.

National Development Council has been involved in the NMTC program since the beginning. We have used the credit to help provide financing for nearly 90 projects in economically distressed areas in 26 states. As a longtime Board Member and recently elected president of the NMTC Coalition, which is made up of more than 150 community development entities and investors, I have seen firsthand the difference the NMTC is making in each state. However, the demand for credits far outpaces the availability of NMTCs year after year. Typically, community development organizations request around \$ 20 billion for new facilities, business expansions, and revitalization projects in low-income communities, but over the past four years, only \$ 3.5 billion in allocations was available to meet the need. Given the success of the NMTC in helping communities grow businesses and create jobs, more awards will allow hundreds of additional businesses and revitalization projects access the capital that will put struggling communities on the path to economic vibrancy.

According to estimates from the NMTC Coalition, based on analysis of more than 4,000 previous NMTC projects, the \$ 7 billion in allocation awarded later this year will finance 844 businesses and revitalization projects and create around 166,000 jobs. The \$ 7 billion in NMTC allocation costs the federal government only \$ 1.88 billion in foregone tax revenue, and thanks to the NMTC's public-private partnership model, low-income communities will receive \$ 14 billion in total capital, including \$ 2.8 billion to rural areas.

We must invest in programs that work and, time and again, the federal New Markets Tax Credit has proven it is efficiently achieving its goal to drive private-sector investment where it is needed the most. Now is the time to strengthen the NMTC and make it permanent.

Robert Davenport,  
President  
New Markets Tax Credit Coalition

# ABOUT THE NEW MARKETS TAX CREDIT

## History and Purpose

In December 2000, President Bill Clinton signed the Community Renewal Tax Relief Act (P.L. 106-554) authorizing the New Markets Tax Credit (NMTC) program. The NMTC is a modest tax incentive designed to increase the flow of private sector capital to communities long overlooked by conventional lenders. Since its enactment, the NMTC has become an essential tool for the revitalization of communities left out of the economic mainstream, delivering an unprecedented level of private sector capital to underserved urban neighborhoods, small towns, and farming communities.

## THE NEED: COMMERCIAL CREDIT GAP IN LOW INCOME COMMUNITIES

The basis for the NMTC is that businesses' success depends on access to capital. There are attractive investment opportunities in low-income communities, but the cost and availability of capital in these 'New Markets' is an impediment to economic growth. 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 they need to set up shop and expand. It impedes the construction or renovation of community facilities and revitalized industrial and commercial facilities that would create jobs, economic opportunity and improve the quality of life.

Fifteen years after the NMTC's inception, the need for patient, flexible capital is as great as ever in low and moderate income rural, urban, and native areas underserved by commercial lenders. A 2011 study by the Initiative for a Competitive Inner City found that "firms in low-income census tracts received 21

percent fewer loans than would be expected, based on the number of firms in the tracts," even with a healthy demand for capital and an untapped consumer base. As a result, inner-city neighborhoods are under-retailed, forcing residents to leave their neighborhoods to shop.

### INSIDE: SPECIAL REPORT

Democrats and Republicans will hold their conventions this July in Philadelphia and Cleveland, respectively. How has the NMTC transformed these communities?

Learn more in our SPECIAL REPORT: The NMTC and the Convention Cities (page 29).

Small towns and farming communities also continue to be underserved by conventional lenders. 2013 analysis by the Federal Financial Institutions Examination Council found that while rural low-income census tracts include about 6 percent of the population and about 6 percent of the businesses, they only received around 5 percent of the loans and about 6 percent of the total dollar amount of small business loans in 2012. The decade's long trend of community bank closure and consolidation has hit rural areas particularly hard. The number of community banks in the United States has declined by an average of 300 per year over the past 30 years, according to data from the Federal Deposit Insurance Corporation.

The Office of the Controller of Currency found that residents of Indian country face challenges securing commercial credit, including "limited access to brick-and-mortar offices of regulated financial insti-

tutions; the perception by tribal business enterprises, even those with adequate collateral and good credit histories, that commercial bank financing is difficult to secure; a lack of diversity in funding sources; a lack of equity resources, collateral, and credit history, resulting in commercial credit denials for Indian small business owners.”<sup>1</sup>

To address this capital gap, Congress established the NMTC. To date, Congress has authorized \$61 billion in NMTC allocation.

- ▶ \$15 billion was made available for 2001-2007 in the Community Renewal and Tax Relief Act;
- ▶ An additional \$1 billion was authorized for communities hard-hit by Gulf Coast hurricanes in the Gulf Opportunity Zone Act of 2005 (P.L. 109-135);
- ▶ In 2006, Congress extended the NMTC for 2008 at \$3.5 billion in annual credit authority through the Tax Relief and Health Care Act of 2006 (P.L. 109-432);
- ▶ The Emergency Economic Stabilization Act of 2008 (P.L. 110-343) extended the Credit for 2009, again at \$3.5 billion in annual credit authority;
- ▶ The American Recovery and Reinvestment Act of 2009 (P.L. 111-16), increased credit authority to \$5 billion for both 2008 and 2009;
- ▶ The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (P.L. 111-312) provided a two-year extension of the NMTC (2010 and 2011) with annual credit authority of \$3.5 billion;

- ▶ The American Taxpayer Relief Act of 2012 (P.L. 112-240) provided a two-year extension of the NMTC (2012 and 2013) with annual credit authority of \$3.5 billion; and
- ▶ The Tax Increase Prevention Act of 2014 (P.L. 113-295) extended the NMTC for 2014 at \$3.5 billion in annual credit authority.
- ▶ **The NMTC Receives its Longest and Largest Extension:** The Preventing a Tax Hike (PATH) Act of 2015 (P.L. 114-113) extended the NMTC for five years at \$3.5 billion in annual allocation totaling \$17.5 billion.

## Congress Congress Passes a Long-Term NMTC Extension

In December 2015, Congress passed the PATH Act, a package of tax provisions tied to the Omnibus spending bill. The legislation included a five-year extension of the NMTC, providing a total of \$17.5 billion in allocation authority. Based on data from previous allocations, the PATH Act will ensure the delivery of more than \$30 billion in new investments to businesses and projects in distressed neighborhoods and towns. Communities will put these dollars to work, creating tens of thousands of jobs through nearly 2,000 projects, including: new hospitals in medically underserved, rural areas; rejuvenated blighted urban corridors; revived manufacturing activity in regions where the last plant closed decades ago; and tens of thousands of square feet of newly constructed or renovated space for non-profit service providers, schools, daycare centers, and other important community facilities.

<sup>1</sup> “Commercial Lending in Indian Country: Potential Opportunities in a Growing Market.” Office of the Comptroller of the Currency, February 2016.

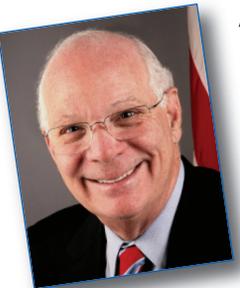
## CONGRESSIONAL CHAMPIONS CHEER NMTC EXTENSION:



“The New Markets Tax Credit Program has a history of success nationwide and this extension is a huge step in the right direction. In Missouri, the NMTC has made a real difference in economically distressed communities, including financing for the first new grocery store in the Pagedale community in 40 years, expanding and helping improve the operation of a number of manufacturing businesses, and filling in the funding gap for the construction of 65 home ownership units in a St. Louis neighborhood with very high unemployment.” —**Senator Roy Blunt (R-MO)**



“This long-term extension of the New Markets Tax Credit (NMTC) Program is a major win for community revitalization, job creation, and economic development throughout New York State. The NMTC Program has already provided critical funding to important projects throughout New York, like the expansion of Roswell Park Cancer Institute’s Clinical Sciences Center in downtown Buffalo. Now, with this five-year extension, communities from Rochester to Albany and New York City to Niagara Falls can continue to access this important financing tool for years to come.” —**Senator Chuck Schumer (D-NY)**



“The New Markets Tax Credit has leveraged an unprecedented level of investment to low income communities, helping revitalize blighted areas with high levels of poverty and unemployment. In Maryland, I’ve seen it make a real difference, creating over 7,000 full-time jobs and more than 25,000 construction jobs over the past decade,

all while expanding local business opportunities and community services. I am pleased to see the long-term extension for this credit, because the New Markets Tax Credit helps communities, helps people, and I am all for that.” —**Senator Ben Cardin (D-MD)**



“The New Markets Tax Credit is a powerful tool that uses public-private partnerships to revitalize economically stressed areas and encourage job creation. In Ohio alone, the tax credit has helped create more than 30,000 construction jobs and 12,000 full-time jobs. I’ve seen first-hand the positive impact the projects financed through the NMTC program have in turning around struggling neighborhoods, and I am pleased that extending this tax credit means more communities will benefit.”

—**Congressman Pat Tiberi (R-OH)**



“The New Markets Tax Credit (NMTC) spurs economic development, encourages private investment, and creates jobs. This important and popular initiative has generated more than \$70 billion in capital for projects in economically stressed areas across the United States. It produces substantial investment in struggling communities that otherwise would be ignored. That is why I remain such an outspoken supporter of the program. In my opinion, extending the NMTC is a proven tool to help rebuild America and create jobs.” —**Congressman Richard E. Neal (D-MA)**



“We care about making sure smaller cities and rural areas, like the areas we represent, have access to the capital and investments necessary for their community and residents to thrive. It’s only fair they have access to the resources they need and the NMTC is helping to fill this gap. Look no further than Hornell, New York to

see the real and positive impacts this program can have right here in our back yard. With the support of local residents and businesses, the Y conducted a successful fundraising campaign, but they were still nearly \$2 million short of the total project cost of \$6.2 million. NMTC financing filled the gap, making the new facility a reality. We were glad to see the project get underway and hope there will be many more like it in the future.”—**Congressman Tom Reed (R-NY)**, *an original and lead cosponsor of H.R. 855.*

The NMTC expires on December 31, 2019. Bipartisan extension legislation – The New Markets Tax Credit Extension Act of 2015 – is pending in both chambers of Congress. Senators Roy Blunt (R-MO) and Chuck Schumer (D-NY) introduce legislation in the Senate (S. 591) and Representatives Pat Tiberi (R-OH), Richard Neal (D-MA), and Tom Reed (R-NY) introduced a companion bill the House (H.R. 855). Both bills provide a permanent authorization for NMTC, increase annual credit authority with inflation adjustments in future years, and exempt NMTC investments from the Alternative Minimum Tax (AMT). The proposal is in line with the Obama Administration’s Fiscal Year 2017 tax proposals would make the program permanent with an annual allocation of \$5 billion.

## How the NMTC Works

The New Markets Tax Credit is a shallow “place-based,” gap financing tool designed to revitalize low-income communities. Unlike programs that subsidize a particular economic activity, such as the creation of affordable housing, the NMTC is designed to deliver capital to narrowly defined geographic locations: underserved census tracts that meet mandated criteria of economic distress.

To deliver capital to these underserved “new markets,” the NMTC authorizing statute created a new category of investment intermediary, 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 to the CDE. Most CDEs are affiliates of mission-driven organizations like Community Development Financial Institutions, for-profit entities, government entities, or private financial institutions.

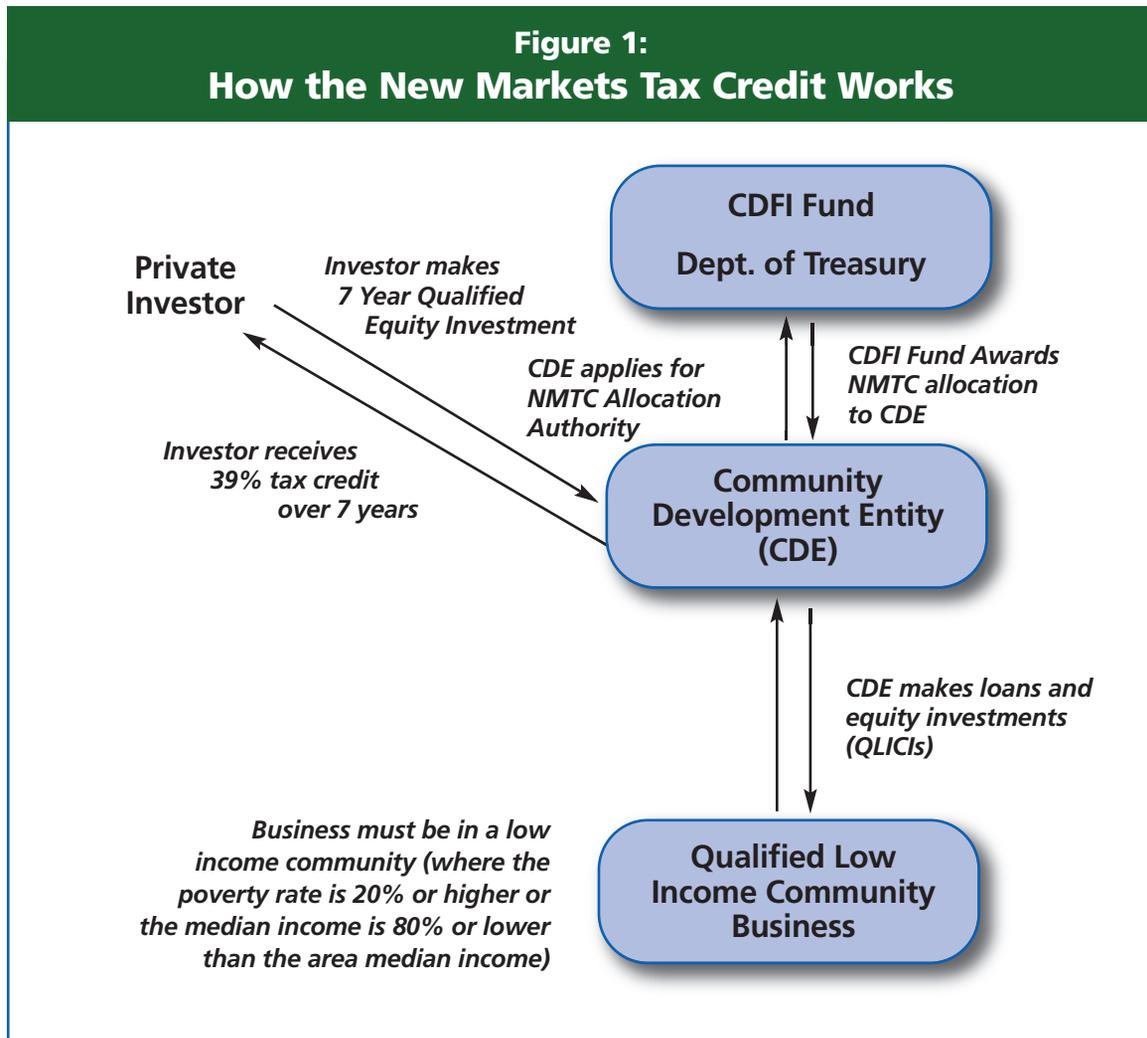
CDEs must be certified by the Community Development Financial Institutions (CDFI) Fund of Treasury, the administering agency for the NMTC. Once certified, a CDE may apply to the CDFI Fund for NMTC allocation.



Applications for allocation are scored by the CDFI Fund in four areas: community impact, business strategy, capitalization strategy, and management capacity. Throughout the history of the NMTC, demand for credits has exceeded the authorized amount by six to one. The historical success rate of applications for credits is less than 25 percent.

The CDFI Fund looks for applicants with a track record of making loans and equity investments in underserved communities, either with previous NMTC allocations or through conventional lending. It also provides a small preference for applicants that promise to undertake “innovative activities” or to invest in areas underserved by previous NMTC allocation awards.

When a CDE wins an allocation, it raises private investments and then deploys those investments to projects and businesses in low-income communities. In return for an equity investment in a CDE, a pri-



vate investor – typically a private financial institution – receives a 39 percent credit against federal taxes, spread out over seven years. Because the investment is taxable and is taken over seven years, the net cost to the federal government of each dollar of NMTC allocation is about 26 cents.

The CDE uses that capital to make loans or equity investments in businesses in low-income communities. NMTC-financed loans provide borrowers with financing at below market interest rates and often include non-traditional features unavailable through conventional financing.



*Learn more about how the NMTC works...*

## PROJECT SELECTION

At least 85 percent of CDEs' investments must target the low-income service area identified by the CDE in its allocation agreement, but there is significant flexibility in the types of businesses and development activities that NMTC investments can support – including community facilities like child-care or healthcare facilities and charter schools, manufacturing facilities, equipment or facilities for nonprofit businesses, and homeownership projects through Habitat for Humanity. Specific examples of businesses financed through the NMTC include a peanut manufacturer, manufacturer of biofuels, community health center, high-tech business incubator, daycare center, grocery store, and worker training facility.

CDEs choose projects that maximize community benefit. Regardless of whether a CDE is a mission-driven organization or the community development arm of a bank, they have a vested interest in stretching each dollar of NMTC to the max. The competitive allocation process awards CDEs that can document significant community impacts, including job creation, added amenities, and benefits to low-income families.

CDEs screen each project with a “but-for” test to ensure whether the NMTC is indeed necessary for the project to move forward. The “but-for” test limits the amount of NMTC-generated financing to the amount required for financial feasibility. The NMTC typically provides “last-in” gap financing, meaning it is the last financing secured to make a project viable. CDEs and investors evaluate the sources and uses of available capital, the business plan of the enterprise in question, and its impact on the low-income community to determine how much NMTC financing is needed to complete the project and maximize community impact.

If additional subsidies are not needed, the project will not receive NMTC financing. Only after all the financing from other sources is committed, and the impact is evident, does a CDE commit to providing NMTC financing.

Some projects would have proceeded without NMTC financing but at a smaller scale. CDEs will consider these projects if the NMTC subsidy significantly enhances a project’s community impact. For example, the NMTC might allow a planned federally qualified community health center to construct a larger facility and serve more low-income individuals.

### *Oversight*

The CDFI Fund (within the Treasury Department) administers CDE certification and the allocation of NMTCs, as well as monitors CDE compliance once Credits are awarded. The Internal Revenue Service (IRS) is responsible for issuing guidance on NMTC investments and monitoring taxpayer compliance.



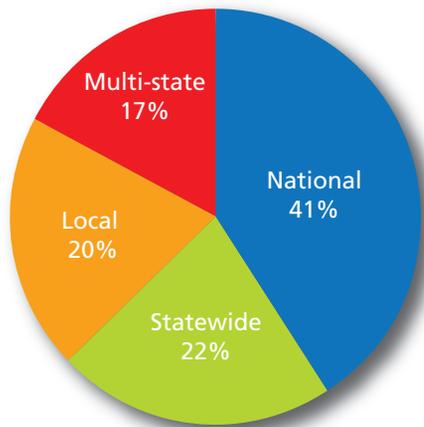
*In Douglas, Georgia, Premium Peanut received \$20 million in critical New Markets Tax Credit financing from CEI Capital Management LLC and another \$3 million in allocation from SunTrust Community Capital to help expand its operations.*

# THE 2016 CDE SURVEY: AN ANNUAL SNAPSHOT OF NMTC ACTIVITY

Every winter, the Coalition conducts a survey of all **Community Development Entities** (CDEs) that have received an NMTC allocation. CDEs are asked to report on the prior year’s NMTC activity. The Coalition’s most recent survey of CDEs covered NMTC activity in the 2015 calendar year. The findings demonstrate that the NMTC continues to serve as an effective tool for driving capital to areas of economic distress and creating jobs, revitalizing both urban and rural communities where the credits are employed.

## CDE Survey of 2015 NMTC Activity

**Chart 1: Survey Respondents by Service Area**



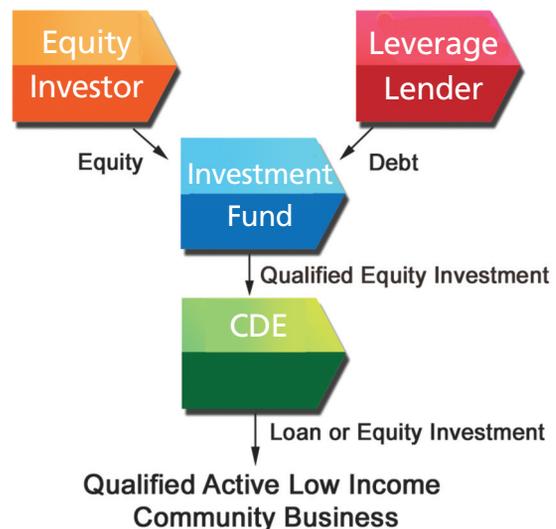
Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1 – December 31, 2015

A total of 65 CDEs responded to this year’s survey. Survey respondents have received a total of \$19.1 billion in NMTC allocations throughout the course of the program. In 2015, these CDEs raised approximately \$1.6 billion in Qualified Equity Investments (QEIs) and deployed \$1.8 billion in financing to 239 businesses in 48 states and the District of Columbia. Nationwide, CDEs deployed about \$2.2 billion in QEIs last year. These CDEs represent a substantial share of the activity in the program (see Table 2).

When applying for an allocation, CDEs must identify their target market as local, statewide, multi-state, or national. National CDEs comprised nearly 40 percent of survey respondents. These organizations constituted the largest share of capital raised (\$654 million out of \$1.4 billion) and nearly half of the financing dollars (QLICIs).

## THE LEVERAGE STRUCTURE:

Nearly all NMTC investments involve the “leverage structure”, which helps deliver additional 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. The CDE can then pass the federal tax credits to the Investment Fund (its QEI investor), which, as a flow-through entity, can pass the entire tax credit up the chain to its equity investor. In 2015, 98.6 percent of qualified equity investments reported by survey respondents utilized the leverage structure.





*In 2016, U.S. Senator Mike Crapo visited the future site of Hemming Cedars, a mixed-use building in Rexburg, ID financed by Montana & Idaho CDC with an investment from Wells Fargo.*

*"More than 600 jobs, full-time and construction, have been created by the use of the New Market Tax Credit in Idaho," said Senator Crapo, a senior member of the Senate Finance Committee. "While we push to streamline our tax code, we must remember the pro-competitive provisions like this that help us grow the economy and create jobs. Credit goes to the partners to make this project for Rexburg and BYU-Idaho a reality."*

In order to finance an NMTC project through the leverage structure, a CDE must work to secure both an equity investor and sources of debt. Typically, qualified equity investments include about 30 percent equity (almost always a financial institution) and 70 percent debt (aggregated from a variety of sources).

## SOURCES OF EQUITY:

Regulated financial institutions have historically provided a majority of the equity for NMTC transactions, and 2015 was no exception. Ninety-six percent of equity investments into the investment fund came from regulated financial institutions. The balance came from unregulated financial institutions (3.6 percent), individuals (0.3 percent), and an insurance company (0.05 percent).

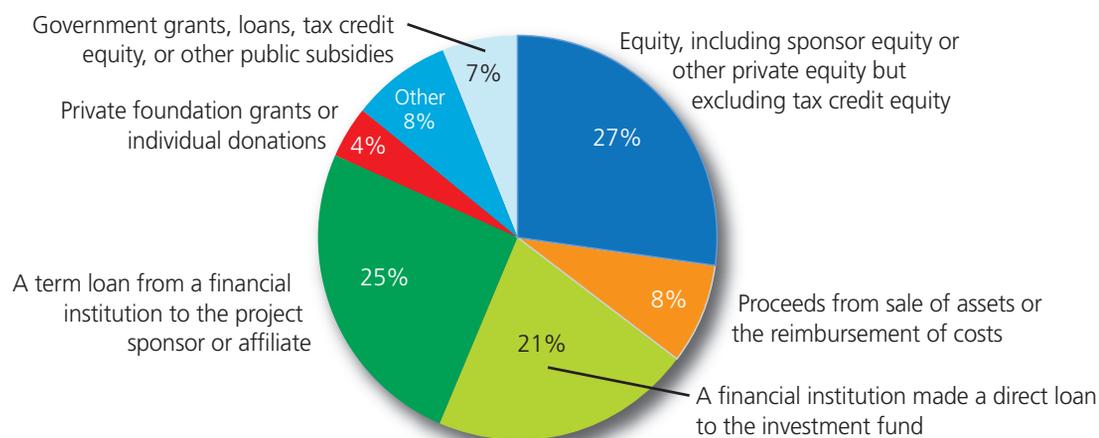
NMTC equity investors receive minimal returns. Most are motivated by Community Reinvestment Act requirements, philanthropic interest in a project, or an interest in expanding their footprint into new markets.

## SOURCES OF DEBT

The survey found that the investment fund aggregated a variety of sources of leveraged debt, from government grants to conventional loans. Most debt (46 percent) was provided by financial institutions through either a direct loan into the invest-

### CDE Survey of 2015 NMTC Activity

**Chart 2: Sources of Leveraged Debt**



Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1 – December 31, 2015

ment fund (21 percent) or a loan through an intermediary, called a “project sponsor”, into the investment fund (25 percent). The project sponsor is an entity that owns or controls the QALICB. Owner equity was the second most common source of leveraged debt (27 percent) (see Chart 2).

## Lending and Investment Trends

As noted, CDEs make financing available to businesses through Qualified Low Income Community Investments (QLICs), which are principally loans and investments in businesses located in low-income communities. In 2015, survey respondents made 554 QLICs totaling nearly \$1.6 billion in financing. Of those QLICs, 501 came in the form of loans to 280 qualified businesses, providing more than \$1.5 billion in new financing. While the NMTC statute allows CDEs to make both loans and equity investments into qualified businesses, CDEs rarely make equity investments. Only 11 of the remaining 26 QLICs were equity investments with the balance going toward the purchase of qualified loans from other CDEs (4), financial counseling to low-income businesses or individuals (4), loans to another CDE (9), and loan loss reserves (2).

### CDE Survey of 2015 NMTC Activity

**Table 1: Types of QLICs Offered**

QLICI purpose	Number
Loan to a business	501
Equity investment in a business	11
Financial counseling to low income businesses or individuals	4
Loans to another CDE	9
Loan loss reserve	2
<b>Total</b>	<b>527</b>

Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1, 2015 – December 31, 2015

## Types of Businesses Financed

The NMTC is a relatively shallow credit against federal taxes, so banks only receive a small return and are often motivated by Community Reinvestment Act considerations. The biggest beneficiaries of the NMTC are the businesses and economic development projects that receive billions of dollars annually in gap financing through the Credit.



*In Riviera Beach, FL, the NMTC-financed Riviera Beach Marina Village promises to transform the distressed waterfront*

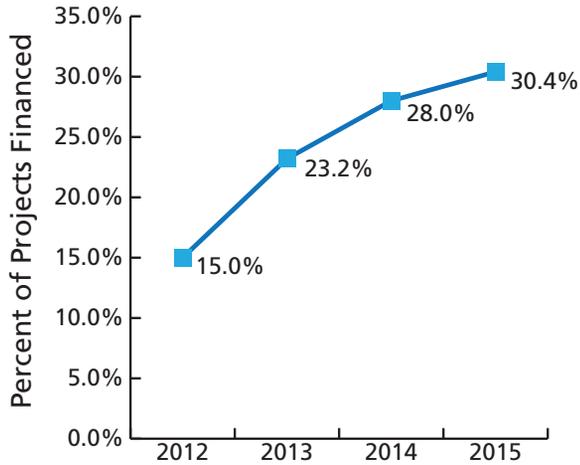


As mentioned previously, all businesses eligible to receive financing under the NMTC are called Qualified Active Low Income Community Businesses (QALICBs). To qualify as a QALICB, a business must be located in a low-income community, in addition to conducting business and deriving at least 50 percent of its income in a low-income community.

Survey respondents were asked to provide NAISC codes for businesses and projects financed, along with a description of the project. Based on this

### Chart 3: NMTC Industry Trends

#### 2012 – 2015 Manufacturing and Industrial Businesses



Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1, 2012 – December 31, 2015

information, all projects were placed in one of 31 categories. For the second straight year, manufacturing and industrial projects (including food manufacturing) were the most common projects financed, accounting for 30.4 percent of all projects.

### MIXED-USE FACILITIES

Before the suburbanization boom following World War II, the stacking of residential and commercial real estate was common. The development of mixed-use properties blending residential, commercial, and social services picked up significantly around the turn of the 21st century. The NMTC has aided in the mixed-use revival, helping finance more than 400 mixed-use real estate developments since its inception. In 2015, survey respondents reported financing 19 mixed use projects, or 9.8 percent of all projects reported. Just under half of those projects included a community facility like a school, a social service provider, or a healthcare clinic.



*Essex Crossing will provide 1,000 residential for-sale and rental units, a 15,000 sf public park, a 10,000 sf rooftop urban farm and 1.9 million square feet of residential, commercial, and community space in New York thanks to NMTC financing from Enterprise, Low Income Investment Fund, and Wells Fargo. The project is projected to create hundreds of jobs.*

## CDE Survey of 2015 NMTC Activity

### Table 2: Types of Businesses Financed, QLICs, Total Project Cost

	<i>Percent of Projects</i>	<i>NMTC allocation used</i>	<i>Total Project Costs</i>	<i>FTE created or retained</i>	<i>Construction jobs created</i>
Arts & cultural	5.2%	\$135,858,265	\$344,478,871	2,980	1,643
Automotive sales or repair	2.1%	\$1,115,971	\$8,120,471	131	0
Childcare services	1.0%	\$8,078,000	\$12,218,506	56	75
Clean energy generation	2.6%	\$95,351,014	\$334,823,996	391	700
Commercial buildings	1.5%	\$29,566,000	\$46,319,216	1,282	282
Community centers	1.5%	\$16,124,061	\$22,763,395	126	224
Community food services	1.5%	\$51,385,000	\$71,841,666	325	447
Elementary & secondary schools	4.6%	\$101,655,500	\$158,665,157	551	1,402
Food manufacturing	3.6%	\$89,304,812	\$183,677,470	880	229
Forestry & timberlands	0.5%	\$12,000,000	\$15,490,000	77	86
Grocery stores	3.6%	\$86,364,823	\$296,966,097	1,542	1,210
Healthcare providers and facilities	12.9%	\$317,761,298	\$533,423,339	4,030	3,175
Homeless shelters	1.5%	\$26,584,000	\$28,337,558	101	127
Hotels, tourism, accommodation	1.5%	\$33,936,177	\$31,158,809	214	155
Housing	1.0%	\$25,380,000	\$29,342,906	403	290
Loan to a CDFI	0.5%	\$2,460,000	\$2,460,000	0	0
Manufacturing or industrial	26.8%	\$331,901,926	\$706,758,901	5,711	1,175
Mixed-use commercial & residential	5.2%	\$115,256,400	\$282,353,930	2,542	3,647
Mixed-use community facility	4.6%	\$146,087,313	\$209,269,229	1,483	1,638
Media/publishing	1.0%	\$16,200,000	\$18,000,000	452	0
Nursing/residential healthcare facilities	3.1%	\$45,757,000	\$66,397,618	902	558
Parks and recreation	0.5%	\$8,540,000	\$16,423,034	40	100
Professional services	2.1%	\$13,819,116	\$22,088,000	442	0
Research, science, high-tech	1.5%	\$19,872,000	\$22,951,072	458	64
Restaurants	1.5%	\$2,022,000	\$6,192,667	154	0
Retail	0.5%	\$6,960,000	\$7,053,503	75	40
Social Services	0.5%	\$18,095,000	\$20,553,165	30	207
Transportation and Warehousing	1.5%	\$30,430,329	\$38,875,336	503	745
University Facilities	2.1%	\$39,438,186	\$89,770,424	125	395
Vocational Training Services	1.5%	\$31,760,000	\$61,056,435	233	90
Wholesalers	2.1%	\$8,055,000	\$9,922,000	52	0
<b>Total</b>		<b>\$1,867,119,190</b>	<b>\$3,697,752,771</b>	<b>26,288</b>	<b>18,704</b>

Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1, 2015 – December 31, 2015

## The Growing Efficiency of the NMTC

On November 15, 2013, the Community Development Financial Institutions (CDFI) Fund released the New Markets Tax Credit Evaluation, a formal evaluation of the first four years of the New Markets Tax Credit (NMTC) program (2003-2007). The Urban Institute’s study found that the NMTC has worked as envisioned, delivering capital to underserved communities and creating a variety of positive outcomes in those communities. As the study’s executive summary states:

“In its early years, the NMTC program operated as intended—encouraging investments in low-income areas for a diverse range of community- and economic-development projects associated with varying results. The most common results were the provision of advantageous financing, real

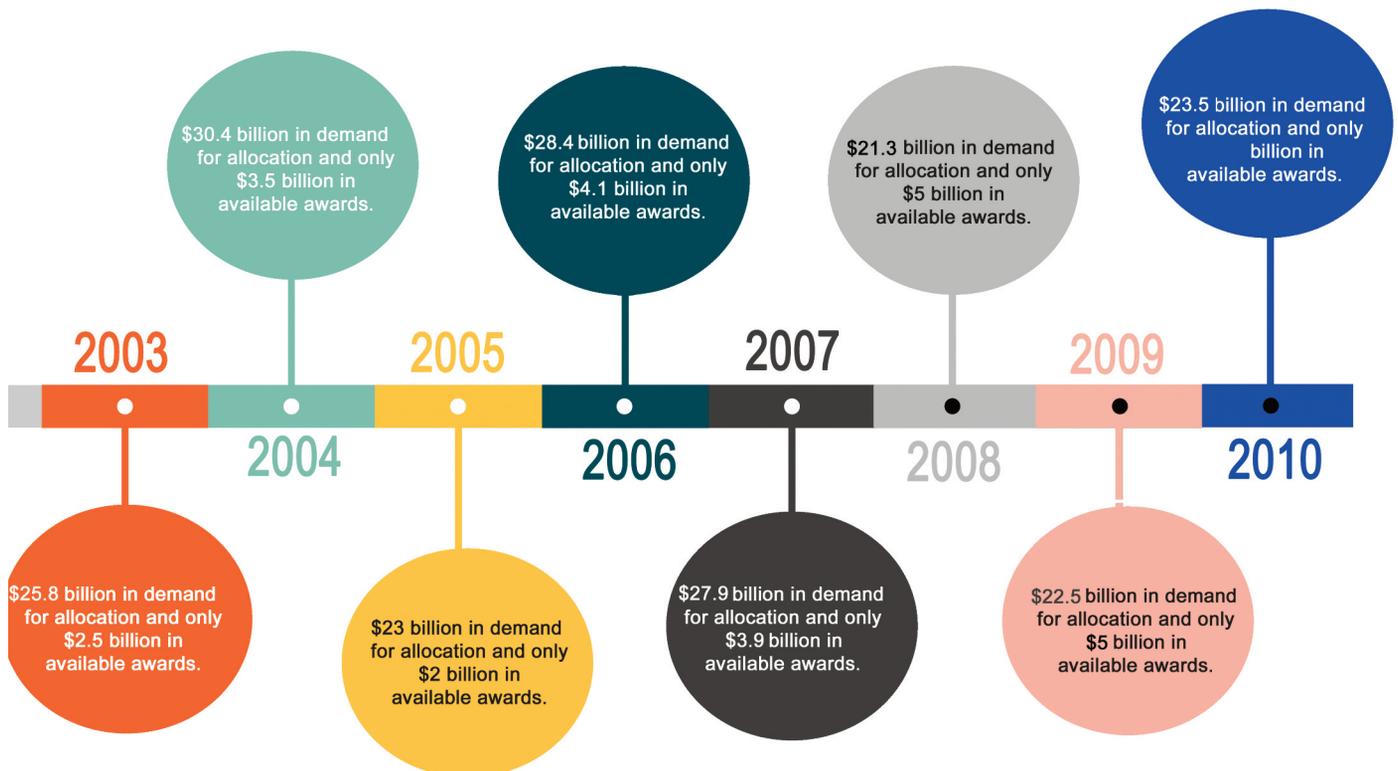
estate development in low-income areas, additions to local tax bases, and job creation or retention. NMTC projects also added to or expanded community amenities, services, and facilities and supported small businesses and organizations.”

The program has matured since the early days analyzed by the Urban Institute. CDEs target harder to serve areas, stretch federal resources further, and achieve a greater community impact.

### STRONG DEMAND FOR NMTC ALLOCATION FUELS PROGRAMMATIC EFFICIENCY

The demand from CDEs for NMTC allocation continues to far outstrip NMTC availability. CDEs requested \$319 billion in allocation authority between 2003 and 2015 while the CDFI Fund made

## Demand for NMTC Allocation



\$50.6 billion in allocation available. Allocation demand is more than six times availability.

In recent years, the CDFI Fund has made changes to the NMTC application designed to nudge investment toward states that have not seen their fair share, based on their level of economic distress. The Fund gives a slight preference to the ten “underserved” states that have historically received the lowest share of NMTC investment. These efforts have largely succeeded, as activity has recently increased in states that were underserved during the early years of the program.

### CREDIT PRICING IMPROVES

*The NMTC is providing lower returns and more benefit to low income community businesses*

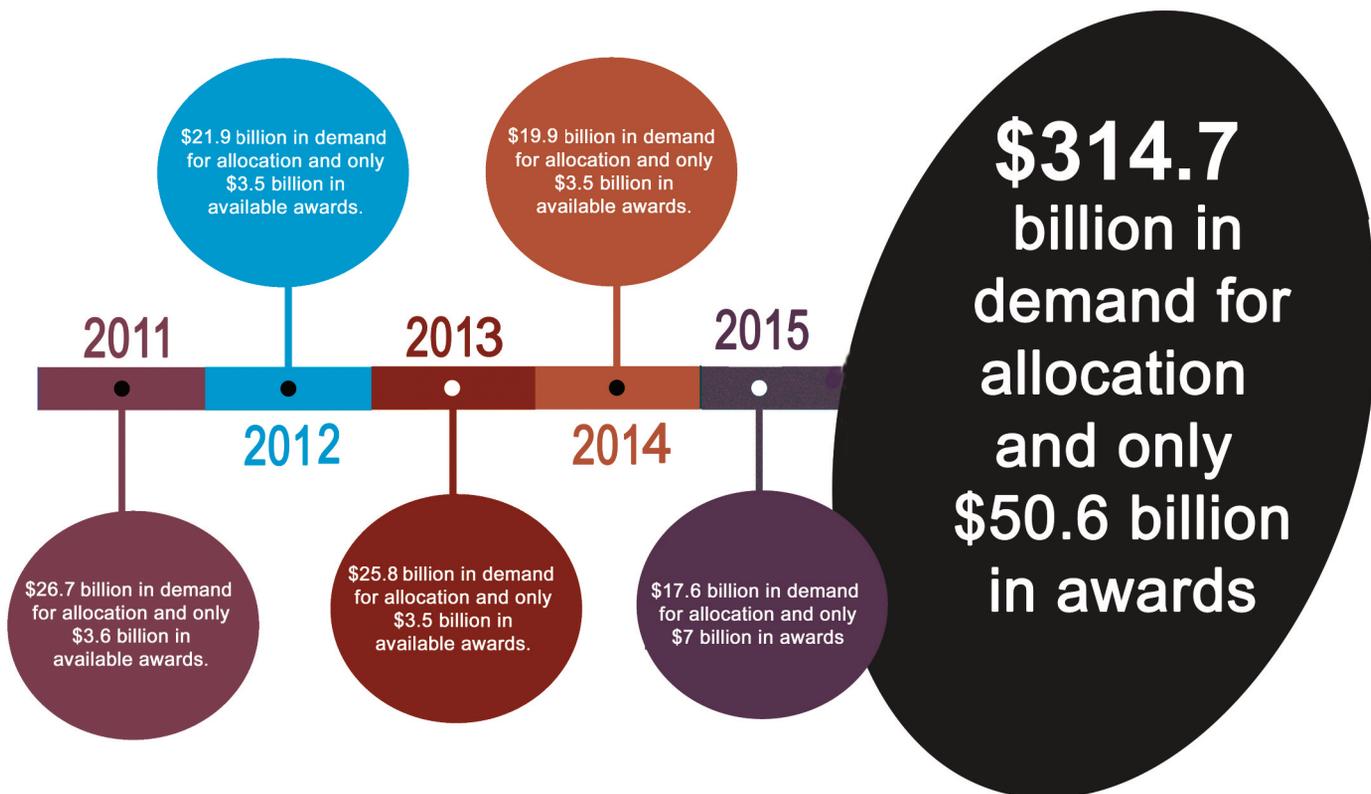
When NMTC investors pay a higher price in exchange for the Credit, more benefit flows to the

low-income community business. For the second time, the Coalition asked survey respondents to report the average price investors paid in exchange for the NMTC. Respondents reported pricing ranging between 80 cents and 86 cents and the average price was 84.1 cents, up from 83.3 cents in 2015.

Pricing has improved dramatically since the end of the Great Recession, and the general trend has been positive as investor familiarity and competition for the NMTC increased. Simply put: investor returns for NMTC investments are low. In fact, one survey respondent remarked:

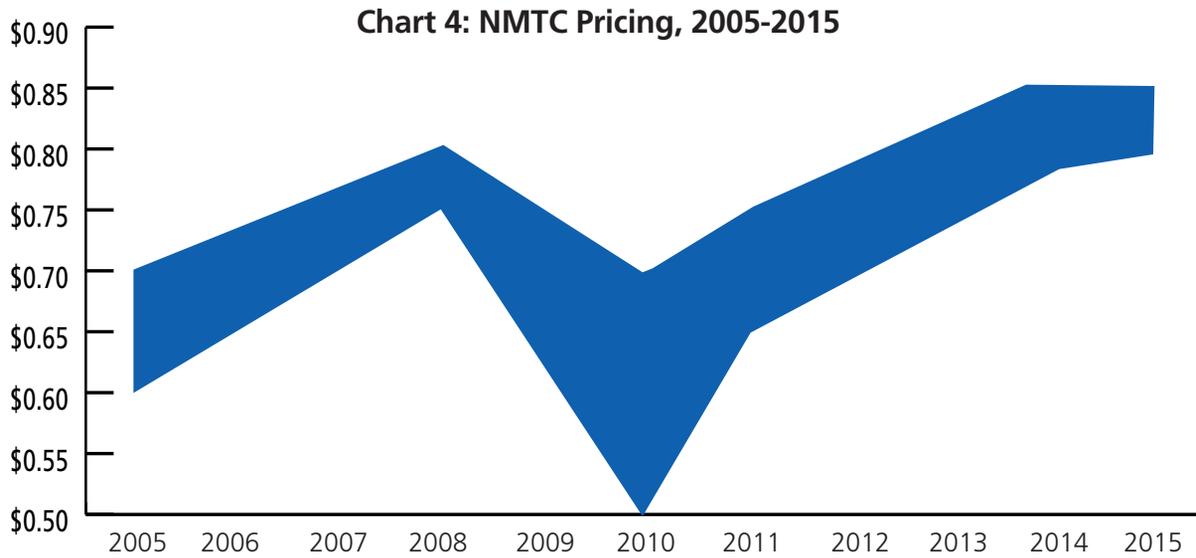
“Pricing has trended upwards in the past two calendar years primarily due to competitive market conditions, especially in certain markets.”

The following chart supplements our survey data with pricing data from the Urban Institute, GAO, and Novogradac & Company (see Chart 4).





CDE Survey of 2015 NMTC Activity



Source: The above chart shows the range of pricing in various surveys of NMTC investors. It includes a blend of data from the Urban Institute, GAO Novogradac & Company, and 2014 data from the NMTC Coalition's survey.

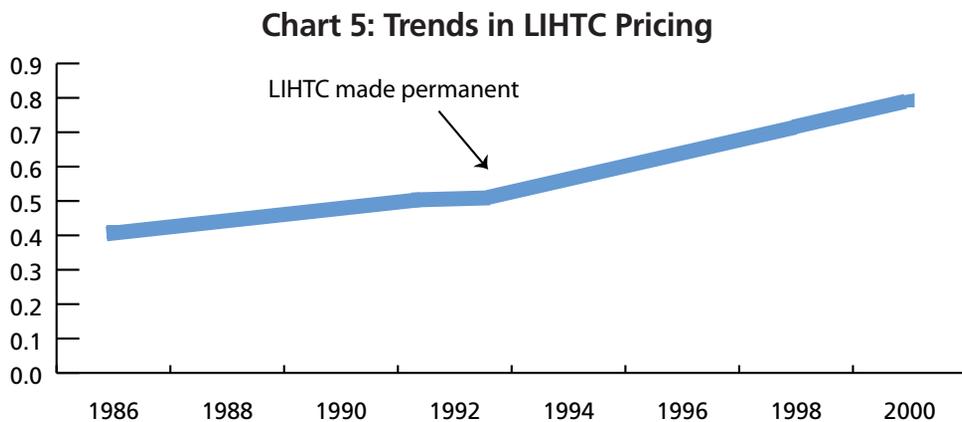
Over the years, Congress has made improvements to the Low Income Housing Tax Credit (LIHTC) that increased efficiency and enhanced the government's investment, and these changes may also help sustain and improve NMTC pricing.

In 1993, seven years after establishing LIHTC, Congress made it a permanent part of the Internal

Revenue Code. The result: with greater investor certainty, demand spiked and pricing for housing credits went up.

In addition, Congress provided an AMT exemption to LIHTC investors through the Housing and Economic Recovery Act of 2008. This change - along with the economic recovery - eventually

CDE Survey of 2015 NMTC Activity



Source: Cohn Reznick Survey of LIHTC Investors



strengthened LIHTC prices. According to data from Novogradac & Company, pricing increased from about 65 cents in early 2010 to almost 94 cents by the end of 2014.

NMTC investments are not exempt from the Alternative Minimum Tax (AMT). Exemption from the AMT would diversify the pool of investors who could invest in the NMTC, opening up the NMTC investor market to new investors, including community banks and corporate investors that are currently restrained by AMT. Moreover, making the NMTC permanent would certainly improve pricing, relieving the uncertainty created by last minute annual extensions of the Credit.

## RURAL AREAS GET THEIR FAIR SHARE

*CDEs increasingly use the NMTC to invest in difficult to serve rural areas.*

Rural economies present unique obstacles to revitalization, including a lack of economic diversity and investors, the limited availability of credit, the seasonal nature of employment, and geographic isolation. Between 2003 and 2007, only 16.9 percent of NMTC investments went to rural areas.

Approximately 20 percent of the population resides in these communities.

In 2006, Congress enacted The Tax Relief and Health Care Act of 2006 (P.L. 109-432), which amended the NMTC statute to ensure that non-metropolitan communities were allocated a proportional share of QLICs. The CDFI Fund defined “non-metropolitan counties” as those counties that are not contained within a Metropolitan Statistical Area, according to the most recent census. There is evidence that the 2006 provision jumpstarted a trend toward more investment in rural communities, as investment in non-metro counties has picked up over the past few years, averaging 22 percent between 2010 and 2013. In 2015, nearly

25 percent of NMTC projects were located in rural communities.

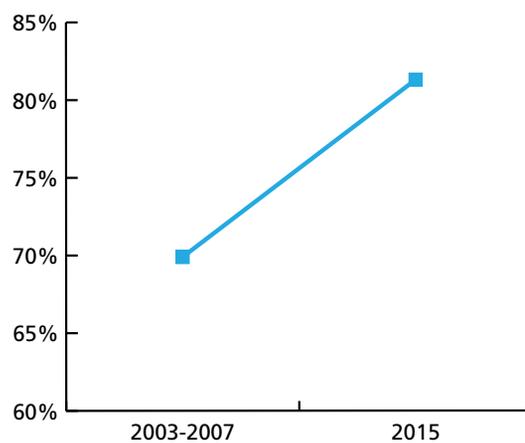
## PROJECTS INCREASINGLY LOCATED IN AREAS OF HIGH POVERTY AND UNEMPLOYMENT

*Helping America’s Hardest Hit Communities*

As the program matured and competition for credits and allocation increased, CDEs increasingly invested in communities with higher levels of distress where conventional financing is harder to secure. For example, according to data from the CDFI Fund between 2003 and 2007, 69.9 percent of NMTC projects were in severely distressed communities with unemployment rates more than 1.5 times the national average, poverty rates 30 percent or higher, or median incomes at or below 60 percent of the area median. But according to our latest findings, in 2015, 81.3 percent of projects were located in severely distressed census tracts.

### CDE Survey of 2015 NMTC Activity

**Chart 6: Projects Located in Severely Distressed Areas**



Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1, 2015 – December 31, 2015

## Impact of NMTC: Jobs, Investment, and Amenities in Distressed Communities

The primary purpose of the NMTC is to provide communities with the patient flexible capital they need to create jobs and improve communities. Because of the NMTC's flexibility, community impacts are diverse and wide ranging.

For the second consecutive year, Community Development Entity (CDE) survey respondents were asked to report on the impact of project-level investment activities during the calendar year 2015. CDEs detailed the impact of each project, the amount of investment, and the characteristics of the surrounding community.

Survey findings reinforce the impact data collected between 2003 and 2012 by the CDFI Fund, data modeled by the NMTC Coalition's NMTC Economic Impact Report (December 2014), and the Urban Institute's 2013 report on the NMTC. The findings show that the NMTC continues to serve as an effective tool for job creation and revitalization in some of the country's most economically challenged communities.

### *Employment Impacts*

Survey respondents reported on full-time jobs (permanent jobs contributing the operation of a business) and construction jobs (jobs serving the construction or renovation of real estate). Respondents reported creating or retaining 26,288 full-time jobs and 18,704 construction jobs in 2015, for a total of 44,992 jobs (see Table 3).

Of the 26,288 full-time jobs created or retained, nearly 25 percent (6,528) were created in rural areas, mostly through the financing of manufacturing, industrial, or forestry businesses.

<sup>2</sup> Includes FTE jobs and jobs created at the tenant business

## CDE Survey of 2015 NMTC Activity

**Table 3: Jobs Reported by 2015 Survey Respondents**

Type of Jobs	Number of jobs
Full time Jobs <sup>2</sup>	26,288
Construction Jobs	18,704
Total Jobs	44,992

Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1, 2015 – December 31, 2015

CDEs are especially adept at creating jobs in communities experiencing an unemployment crisis (with unemployment rates 1.5 times the national average), creating over 20,000 total jobs in those communities, including more than 4,000 in rural communities with high unemployment.

## NMTC PROJECTS: A BOON FOR LOW INCOME COMMUNITY RESIDENTS

The NMTC was designed to drive capital to underserved communities. It is accomplishing its purpose, delivering more than \$75 billion in financing to low-income communities since the first investment in 2003. These investments help businesses expand and create jobs, improving local economies and benefiting residents in and around NMTC eligible census tracts. Many CDEs require that firms target job creation to low-income community residents, and the CDFI Fund encourages this in the NMTC allocation application.

Beyond financing businesses, a significant proportion of NMTC allocation goes toward projects that enhance the quality of life for low-income community residents, including community facilities, health-care facilities, nursing homes, and other nonprofit service providers.

Because of a dearth of available capital, residents of low-income communities often lack adequate access to fresh food, state-of-the-art healthcare facilities, or cultural amenities that more affluent communities take for granted, including performing arts centers and theaters. Nonprofit service providers in underserved communities face tremendous difficulties in securing the capital needed to secure affordable office space or expand to serve more residents.

More than 40 percent of projects reported by survey respondents involved community facilities such as schools, healthcare centers, or retail facilities. This data tracks closely with an analysis of CDFI Fund data from 2003 to 2013 showing that more than one-third of total NMTC project funding goes toward the construction or rehabilitation of community facilities.

### *Community Amenities*

- ▶ 652 affordable housing units
- ▶ 9 mixed use projects included some sort of community facility
- ▶ 7 supermarkets;
- ▶ 25 healthcare facilities;
- ▶ 10 performing arts centers, cultural enrichment programs, and museums;
- ▶ 2 daycare centers;
- ▶ 3 community centers;
- ▶ 4 miscellaneous human or social service or facilities, including vocational training programs and a trade school for the developmentally disabled;
- ▶ 9 new elementary or secondary schools
- ▶ 6 nursing homes

Source: New Markets Tax Credit Coalition, survey of NMTC CDE activity January 1, 2015 – December 31, 2015

### *Community Benefits Agreements Add Value to NMTC Allocations*

In addition to providing direct funding for community facilities, many NMTC projects involve formal or informal community benefits agreements (CBAs) between CDEs and businesses benefiting from the NMTC financing. More than one-half of projects reported by CDE survey respondents involved some community benefits agreement.

These agreements vary widely. Examples of benefits that businesses agreed to deliver:

- ▶ Creating a minimum number of jobs with quality wages and benefits for local residents;
- ▶ Supporting community college and high school partnerships or investing in the community through apprenticeship, training programs, and internships;
- ▶ Holding a significant percentage of newly renovated real estate space at below market rent for the use of local non-profits; and
- ▶ Making streetscape and landscape improvements.

## 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. These census tracts have poverty rates above 30 percent, median incomes below 60 percent of the area median income, or unemployment rates 1.5 times the national average. In 2015, 81.3 percent of projects reported by survey respondents were located in severely distressed communities.

The 2015 survey data shows that CDEs are continuing to make investments in severely distressed communities. For example, 38 percent of NMTC investments reported were located in communities where the poverty rate exceeded 30 percent, 51.1 percent were in communities with unemployment rates 1.5 times the national average, and 51.6 percent of investments were in communities where the median income is 60 percent of the area median income (see Table 4).

Developing and financing businesses and projects in severely distressed communities is challenging because these communities often lack public infrastructure and other sources of private-sector financing. It would not be possible without the NMTC.

## CDE Survey of 2015 NMTC Activity

**Table 4: Investments by Area of Higher Distress**

Community Characteristic	Percent of Projects
Poverty Rates Greater than 30%	38.0%
Median Income Less than 60% of Area Median Income	51.6%
Unemployment at Least 1.5 Times the National Average	51.1%
Severe distress (one or more of the above characteristics)	81.3%

Source: New Markets Tax Credit Coalition, survey of NMTC allocatee activity January 1, 2015 – December 31, 2015

## CASE STUDY:

### Reclim, LLC, Graniteville, South Carolina

On January 5, 2005, tragedy struck the small town of Graniteville, SC, when a train carrying hazardous chemicals derailed, spilling 60 tons of



Overhead view of the derailed train

liquid chlorine and devastating the surrounding community. In the aftermath, nine people died, 60 were seriously injured, and 5,400 residents were forced to evacuate their homes. Chlorine from the train spilled into an industrial building owned by Avondale Mills, the town's primary employer, destroying expensive equipment. A year later, Avondale Mills vacated the site, leading to a loss of 1,500 local jobs and driving the poverty rate well above 30 percent.

A decade later, Graniteville is still recovering, but the community received some welcome news when Reclim, an appliance and electronics recycler, announced that it received \$20 million in New Markets Tax Credit financing from SunTrust Community Capital and AMCREF Community Capital to complete its recycling facility in Graniteville. The loan financed equipment and working capital for the company's expansion into Graniteville. SunTrust also provided the NMTC equity investment.

Founded in 2012, Reclim provides environmentally-sound recycling and resource recovery for refrigerators and other large appliances, while offering efficient and convenient disposal of these items when they are no longer wanted. The new 111,000 square foot facility, which employs more than 200 full-time workers, combines exclusively licensed technologies from two European companies to ensure safe and environmentally responsible end-of-life management for a range of appliances, including refrigerators, washers, dryers and other household electronic devices. Reclim's proprietary process reduces landfill waste by recovering 95 percent of the components in the appliances it recycles. The company then sells the materials for reuse in other finished products and properly disposes of the non-recyclable materials.

***"The people of Graniteville are resilient and stronger than ever one decade after the horrible train accident. It's a great day in South Carolina,"*** said South Carolina Governor Nikki Haley at a ribbon-cutting

#### FACTS & FIGURES

**CDEs:**

SunTrust  
Community Capital and  
AMCREF Community  
Capital

**Investor:**

SunTrust Community  
Capital

**NMTC Allocation:**

\$20 million

**Jobs:**

200 full-time jobs

**Poverty rate:**

30.2 percent

**Unemployment rate:**

1.68X the national average





ceremony in February of 2015. “Just imagine if you recycle one freezer or one refrigerator. That’s like taking two cars off the road for a year... Think about how many of those [appliances] have been sitting in landfills...in just six months, last year, Reclim took a million pounds out of landfills by processing them.”

“This financing is an exciting step forward because it means we are that much closer to completing the plant, reducing the amount of waste going to landfills and creating more jobs in Graniteville,” said Doug Huffer, general manager of Reclim’s Graniteville facility. “Because of the cutting-edge recycling technology that we are installing at this facility, our customers can be confident they are minimizing their environmental impact when we process their retired devices.”



“There’s a wealth of skilled and work-ready people in this area, and we are looking forward to getting this facility up and running to provide that economic incentive for people to come work in Graniteville,” Huffer said. “Hopefully, this will be a start of better things to come.”



## CASE STUDY:

### Grady Memorial Hospital, Atlanta, Georgia



As one of the nation's largest safety net hospitals, Grady Memorial Hospital ("Grady") in downtown Atlanta, Georgia, delivers a significant level of both health care and other health-related services to the uninsured, Medicaid recipients, and other vulnerable populations. Grady is also nationally recognized for its emergency and trauma services. The 722-bed hospital, opened in 1892, operates the city's only Level 1 trauma center, runs the largest publicly funded infectious disease clinic on the East Coast and trains one in four Georgia doctors. Grady's emergency services are critical to the health of the Atlanta region. The hospital serves as the nerve center for regional disasters and the first responder for major accidents and incidents throughout the area.

Grady's emergency facility was designed in the 1970s to handle only 70,000 visits per year, but today, the hospital handles nearly double that amount. To expand the hospital's capacity to treat low-income populations, Grady recently embarked on a multiphase (four total) expansion and renovation of its Emergency Department with the goal of improving the timeliness of emergency care and reducing wait times. The \$76 million project includes a 90,224 square foot emergency department tower, additional treatment areas, ten exam rooms for imaging and procedures, twelve exam rooms for clinical and behavioral health, and additional office space.

Grady Health Foundation, the fundraising arm of the hospital, raised nearly \$65 million, but the project still had a substantial financing gap (estimated at \$7 million dollars). Construction had begun, and therefore, the project needed immediate funding. To fill the gap, SunTrust Community Development Enterprises, Community Hospitality Healthcare Services (CHHS), and Atlanta Emerging Markets provided NMTC allocation. Without the

#### FACTS & FIGURES

**CDEs:**

Atlanta Emerging Markets,  
SunTrust Community Capital,  
Community Hospitality  
Healthcare Services

**Investor:**

SunTrust Community Capital

**NMTC allocation used:**

\$46 million

**Jobs:**

132 construction jobs, 50 new  
full-time jobs

**Poverty Rate:**

35.8 percent

**Median Income:**

64.3 percent of AMI

**Unemployment Rate:**

16.3 percent

**Medically Underserved  
Area, Brownfield**

NMTC, the foundation would have needed to seek additional philanthropic support to close the gap, which could have significantly delayed the project.

The expanded capacity of the emergency department will allow Grady to serve 20,000 additional patients annually. Grady's patients are low-income uninsured or underinsured, and only 10 percent have commercial insurance. The project is anticipated to create 50 new full-time jobs and 132 construction jobs.



“The NMTC allocations from SunTrust Community Development Enterprises, Community Hospitality Healthcare Services, and Atlanta Emerging Markets, Inc. make a significant impact on our emergency department expansion,” said Mark Meyer, Chief Financial Officer, Grady Health System.

***“As the primary nexus for emergency care, Grady is a key cornerstone of our community and a perfect example of what we look for in using our resources,”*** said Dale Royal of Atlanta Emerging Markets.

The new state-of-the-art facility is designed to optimize patient care, and at the same time enhance Grady's role as a leading academic medical center – serving as the primary teaching hospital for the Emory and Morehouse schools of Medicine.

“This project is of significant importance to the Atlanta area and the critical role Grady plays in emergency and trauma care. We are very pleased to be both an NMTC allocator and the investor in this most noteworthy transaction,” commented Eric Rosen of SunTrust Community Capital.

“As a healthcare focused New Markets Tax Credit allocatee, we are very proud to be supporting Grady's mission and its ability to expand its capacity to serve all patients regardless of their ability to pay,” said Ben Cirka, Executive Director of CHHS.

“Grady Hospital is a world-class medical center that saves lives every day, and a critical institution to the City of Atlanta. By providing the essential gap funding to expand Grady's Emergency Department, the New Markets Tax Credits program was vital to financing this transformative project for Atlanta,” said Atlanta Mayor Kasim Reed.

Completion of the project is expected in early 2017.



# CASE STUDY:

## Prairie Dog Pet Products, Abilene, Texas

The City of Abilene, Texas was looking to repurpose an unused 100,000 square-foot industrial building in Abilene’s city-owned Five Points Business Park, an area suffering from persistent poverty and incomes below 60 percent of the area median.

In January of 2016, Los Angeles-based National New Markets Fund, LLC, stepped in and provided \$24 million in New Markets Tax Credit financing to transform the vacant building into a state-of-the-art facility supporting 215 full-time employees for Prairie Dog Pet Products in their new manufacturing plant and corporate headquarters.

Founded in 2007, Prairie Dog Pet Products uses naturally shed North American antlers to make chew toys for dogs. The company contracts with farmers across the continent to gather antlers.

***“We are investing in this project because it will create high-quality jobs that put more than 215 paychecks in the hands of Abilene area residents,”*** said Deborah La Franchi, co-founder and president of National New Markets Fund.

The new jobs include manufacturing positions, corporate finance, and customer support services, and they pay anywhere from \$12 to \$50 an hour.

The Prairie Dog project has received overwhelming support from the State of Texas, the City of Abilene, the Development Corporation of Abilene and the Abilene Industrial Foundation.

Without assistance from the NMTC program, Prairie Dog’s growth would have been hindered – leaving Abilene without these much-needed jobs,” said Development Corporation of Abilene CEO Kent Sharp. Prairie Dog used the \$24 million in NMTC financing to acquire property, expand the existing facility and purchase equipment needed to manufacture high-quality “Made in USA” specialty pet treats, as well as conduct headquarters activities including corporate finance, customer support, and sales.

FACTS & FIGURES

**CDE:**  
National New Markets Fund, LLC

**Investor:**  
Chase

**NMTC Allocation:**  
\$24 million

**Jobs:**  
215 full-time jobs and 112 local construction jobs

**Median income:**  
52.87 percent of AMI

**Poverty rate:**  
27.2 percent

**Texas Enterprise Zone**





“The \$24 million NMTC allocation from National New Markets Fund is critical to finance our expansion, which we believe will be a very good thing for the City of Abilene,” explained Prairie Dog CEO Ira Goldfarb. “We believe in creating jobs, and the NMTC program is enabling us to create quality pet products sourced and made in the USA.”

JP Morgan Chase is investing more than \$8 million in equity for the NMTC portion of the project.



“We are proud to help Prairie Dog Pet Products expand its operations in Abilene,” said Benjamin Glispie, vice president for Chase’s Community Development Banking business. “This is a great example of how the New Markets Tax Credit program can help a growing company with its capital needs and generate quality jobs.”

The project is projected to generate \$4.4 million in new local tax revenue for surrounding community in its first ten years.

“The new Prairie Dog manufacturing plant and headquarters will become an important anchor to grow employment and opportunity,” added Abilene Mayor Norm Archibald. “This project is a huge win for our community.” The project is projected to generate \$4.4 million in new local tax revenue for surrounding community in its first 10 years.

“The new Prairie Dog manufacturing plant and headquarters will become an important anchor to grow employment and opportunity,” added Abilene Mayor Norm Archibald. “This project is a huge win for our community.”





## SPECIAL REPORT: 2016 RNC Convention Site: Cleveland, Ohio

Urban areas throughout the Rust Belt have been hit hard by a double whammy: the long term decline in the manufacturing economy and the Great Recession. Most Rust Belt cities are still struggling, but there are a few exceptions: Buffalo, New York, Pittsburgh, PA, and Cleveland, OH, where the RNC Convention will take place in 2016. While there is still work to be done, New Markets Tax Credit has played an important role in Cleveland’s revival, bringing private sector capital back to the city after decades of disinvestment.

According to the latest data from the CDFI Fund, the New Markets Tax Credit has delivered \$1.6 billion in financing to 78 businesses and economic revitalization projects in low income areas of Cleveland at a cost to the federal government of a fraction of that amount, \$175 million. Those projects have created about 2,879 jobs.



### Miceli Dairy Products Co-Buckeye Woodland

Redevelopment and expansion of a third-generation family-owned plant that manufactures cheese creating 50 jobs.

“The availability of New Markets Tax Credits was instrumental in moving forward on our expansion,” said Joseph D.



Miceli, CEO of Miceli Dairy, a local cheese manufacturer with a national presence. “In fact, the tax credits served as a catalyst to finalizing the best possible

financial package for our project.”

CDE: Northeast Ohio Development Fund in partnership with Ariel Ventures.

### St. Martin de Porres High School

Saint Martin de Porres High School provides children of modest economic means with an education experience that includes work study, service, leadership training and spirituality. The NMTC is helping finance the first phase of its expansion.

CDE: Cleveland Development Advisors. Investor: PNC.



## Ronald McDonald House

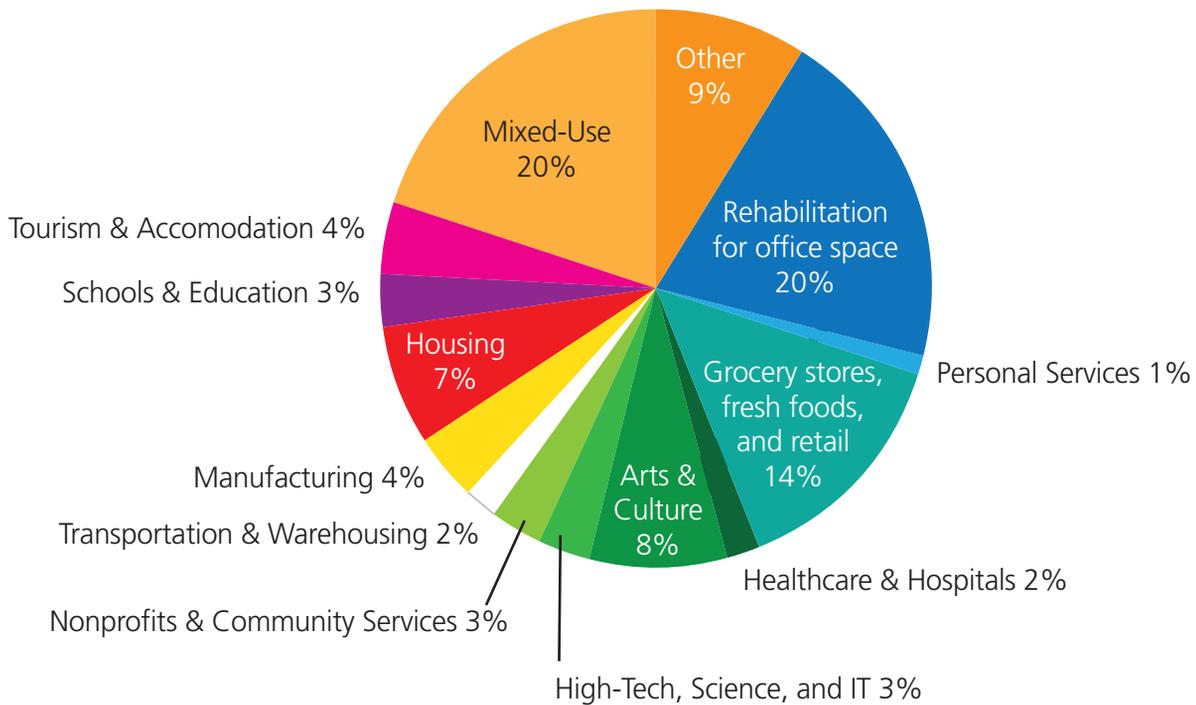


As the number of families with children needing Cleveland-area pediatric medical care continues to grow, Ronald McDonald House Cleveland (RMH) has been unable to keep pace with demand for their low-cost residential and supportive services – turning away some 600 families each year due to lack of available rooms. An \$11.2 million, 20,000 sq. ft. expansion added 17 new guest rooms to the current 37. The construction project employed 40 workers in a Cleveland neighborhood with a 30.5 percent poverty rate and 17.3 percent unemployment.



CDE: Finance Fund

## Cleveland NMTC Projects by Industry





## SPECIAL REPORT: 2016 DNC Convention Site: Philadelphia, PA

Philadelphia has seen its share of the limelight over the past year, with a visit from the Pope in the fall of 2015 and the Democratic National Convention, drawing hundreds of thousands of visitors to the City of Brotherly Love this July. Anyone who has not visited Philly for ten years will notice some significant changes, from the revitalization of Fishtown to the new development in Northern Liberties. According to the Census Bureau, Philly's population grew in 2015 for the eighth year in a row after decades of population loss.

Despite the recent progress, more than 400,000 Philadelphia residents live in poverty and city residents lack access to adequate social services. The New Markets Tax Credit has helped open 25 new community facilities in the city, improving access to healthcare, nonprofit service providers, and fresh food and providing affordable housing to attract and retain teachers in the city.

According to the latest data from the CDFI Fund, the New Markets Tax Credit has delivered over \$1 billion in financing to 59 businesses and economic revitalization projects in low income areas of Philadelphia at a cost to the federal government of a fraction of that amount, \$180 million. Those projects have created about 2,300 jobs.

### Philadelphia New Markets Tax Credit Projects:



#### Oxford Mills

A \$38 million mixed-use project that transformed an abandoned factory into affordable living space for teachers and office space for educational non-profit organizations. Oxford Mills generated 200 construction jobs and 100 permanent jobs. Community Development Entities: Philadelphia Industrial Development Corporation, National Trust Community Investment Corporation, and Enterprise Community Development. TD Bank was the investor.

#### Stephen and Sandra Sheller 11th Street Family Health Services

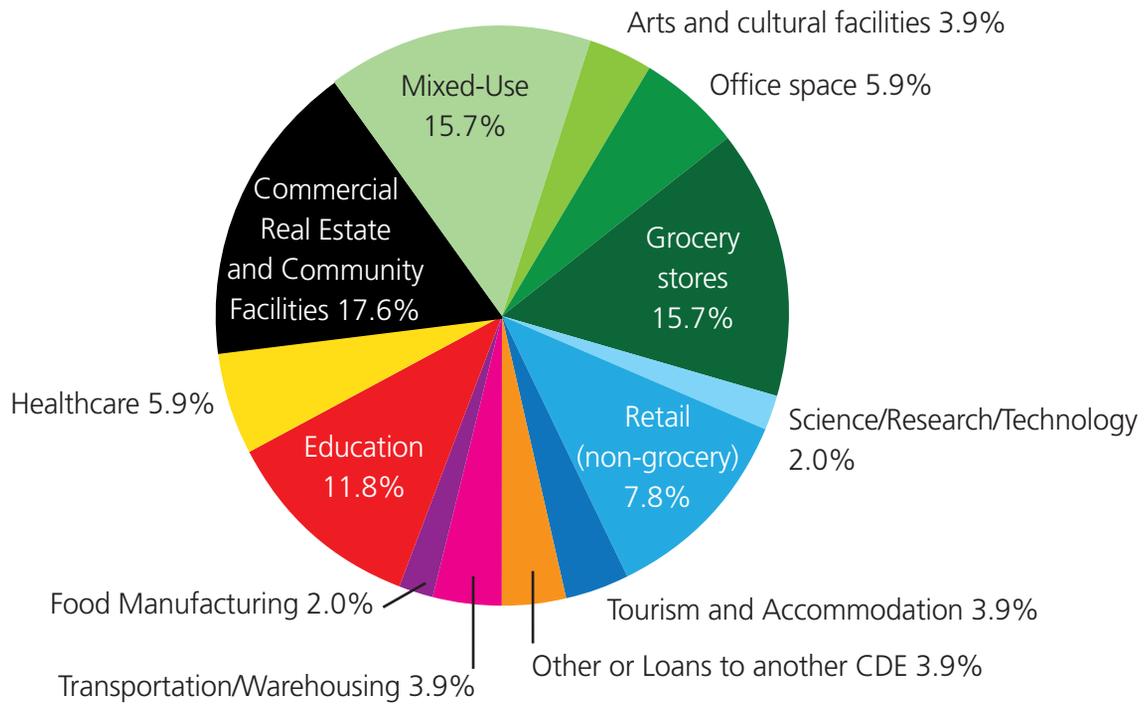
Drexel University built a 17,000 square foot, two-story addition to its Stephen and Sandra Sheller 11th Street Family Health Services (11th SFHS) facility thanks to the NMTC. By doubling the size of the facility, 11th SFHS is able to serve more than 40,000 patient visits annually in a severely distressed part of North Philadelphia.

Community Development Entity: The Reinvestment Fund. U.S. Bank was the investor.





## Philadelphia NMTC Projects by Project Type











# NEW MARKETS

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