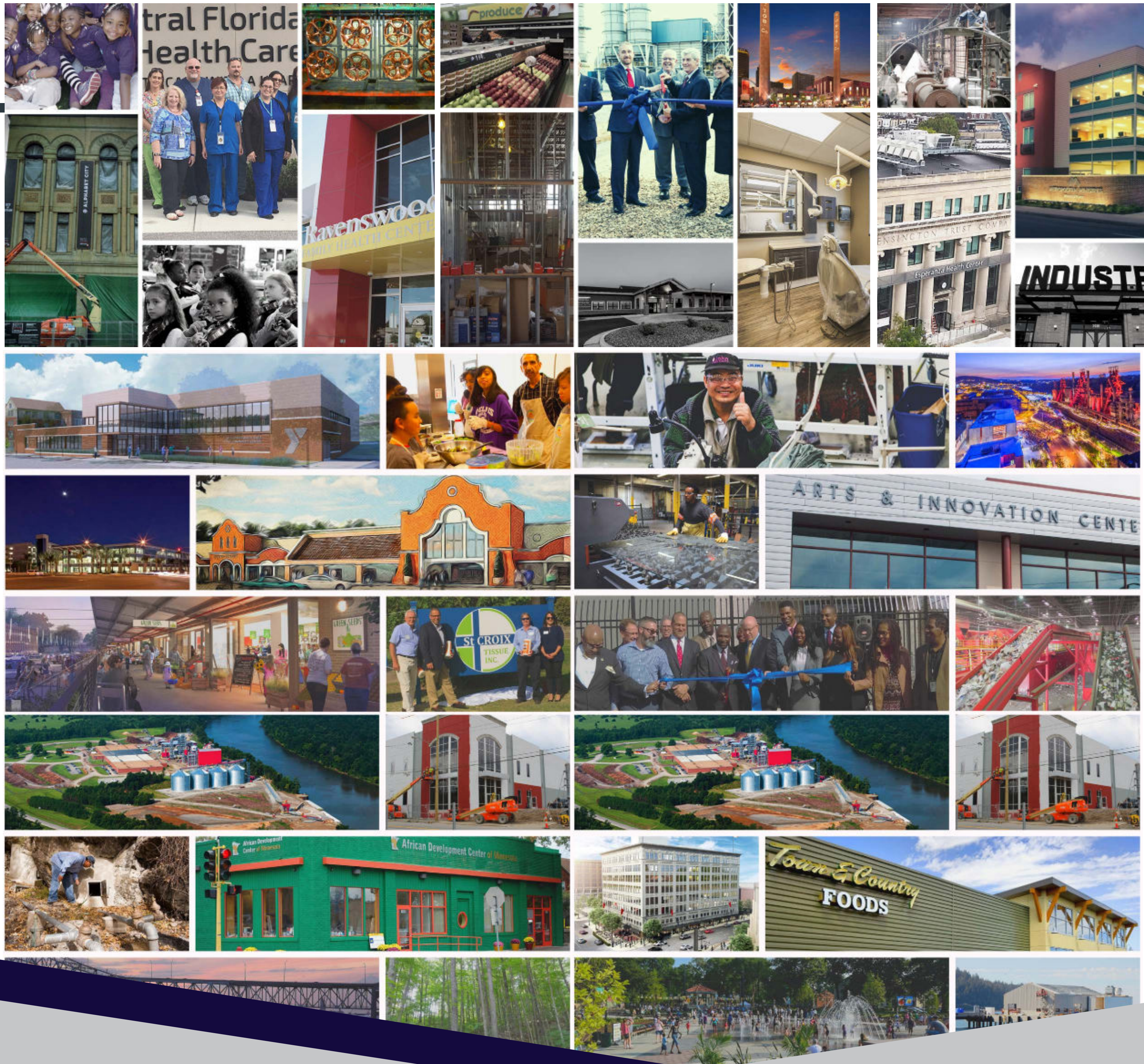



# NEW **MARKETS** TAX CREDIT **20th ANNIVERSARY** REPORT

**2000-2020**

nmtccoalition.org/20th-anniversary

Documenting 20 years of community revitalization

NEW MARKETS TAX CREDIT COALITION

Urban Chronicle

**Flexible new tool for cities**

▪ **Incentive:** *The New Markets Tax Credit aims to draw money to distressed areas.*

properties for homeownership— almost anything but rental housing. The credits will be allocated through community banks, for-profit subsidiaries of

program's potential impact.
"It's a helpful tool," he said. "It will begin to attract people— developers, other investors—to these underserved markets."

NMTC 20th Anniversary Report

# 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.

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.

NMTC 20th Anniversary Report

# 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 (P.L. 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 (P.L. 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 CDCTC 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 long-standing 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:

> •*Community Development Corporation Tax Credit.* In 1993, we put in place a demonstration tax credit for investors in 20 CDCs. According to this report for Bruce Katz' shop at Brookings, this program has been effective. We could propose expanding this CDC tax credit to more areas. The author of this report also proposes some changes to make the tax credit more effective.

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 inventivized investment in emerging markets.

NMTC 20th Anniversary Report

# ORIGINS

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.

President Clinton with employees of the Hermitage Tomato Co-op in Bradley County, Arkansas.

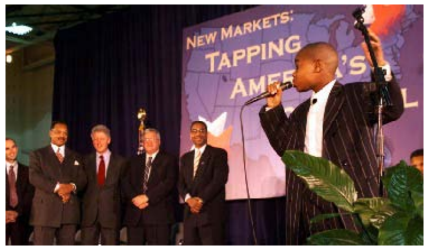
President Clinton tours Clarksdale, Mississippi with Representative Bennie Thompson, Mayor Richard Webster and Wayne Leonard, CEO of Entergy Corporation.

President Clinton tours the town of Tyner, Kentucky with resident Jean Collet.

NMTC 20th Anniversary Report

# ORIGINS

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.




*Josh Watts, son of Rep. J.C. Watts, performs a song at Englewood High School, one of many stops on Clinton's Poverty Tour.*

Republican leaders working with Danny Davis, have come up with such a proposal -- The American Renewal Community Act. Their proposal shares many of the goals of our EZ legislation and our current NM Proposal.

Now we face a choice: we could take each of our proposals and battle each other, ~~or ... Dennis might say -- we would~~ Speaker Hastert and I have decided to choose another path -- a path Rev. J. said might call "common ground."

Today, SH and I are announcing an agreement to work in good faith to merge our proposals in an historic, bipartisan effort to open new markets, renew our community and expand opp for all Amer.

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.

NMTC 20th Anniversary Report

# ENACTMENT

## THE FINAL DETAILS AND ENACTMENT

With members of both parties on board, the New Markets initiative gained momentum. One of many outstanding questions: How large should they make the NMTC? How much of an incentive was needed to bring private sector investors into areas they had avoided for decades?

| Proposal Or Policy | Year Proposed or Enacted | Credit Period | Amount |
|---|---|---|---|
| CDC Tax Credit | 1993 | 5 percent over 10 years | $20M |
| CDFI Tax Credit | 1996 | 5 percent over 5 years | $100M |
| New Markets Tax Credit Act of 1999/New Markets Initiative Act of 1999/FY 2000 Budget Proposal | 1999 | 6 percent over 5 years | $6B over 5 years |
| FY 2001 Budget Proposal | 2000 | 6 percent over 5 years | $15B over 5 years |
| Final Agreement | 2000 | 6 percent the first 4 years, 7 percent the final 3 years | $15B over 7 years |

"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.

Left: President Bill Clinton signs the Community Renewal Tax Relief Act of 2000 into law on December 21, 2000 (Public Law 106-554).  Center and right: Pictures from the signing celebration.

NMTC 20th Anniversary Report

# IMPLEMENTATION

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 Riegle-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 Soloman 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.


El Paso Times Business

NYSE 7B
Mutuals 6B
Nasdaq 6B
Page 8B

THURSDAY, JULY 18, 2002

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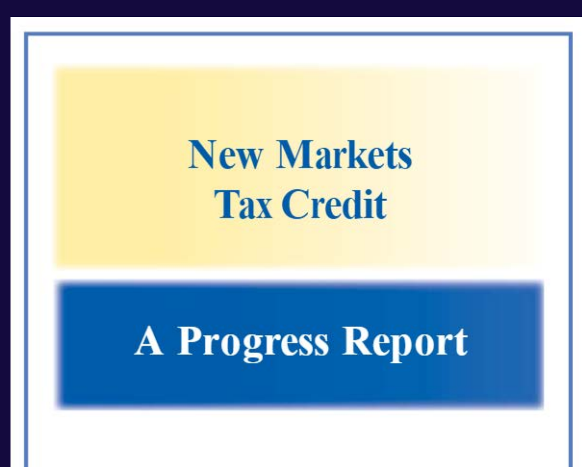
Markets
Wednesday, July 17, 2002
Dow Jones Industrials

Event gives El Pasoans shot at $15 billion in tax credits

By Mike Mrkvicka
El Paso Times

Make plans

"After one year of activity doing tax credit transactions, practitioners have identified a number of challenges. Most of these challenges fall into two main areas — (1) securing investors and (2) adapting the structure of the Credit to meet specific financing needs. Concerning securing investors, the biggest obstacle has been simply the newness of the NMTC program. Although CDEs have been able to secure investors relatively quickly, nearly half of the [NMTC Coalition] survey respondents described a continuing market challenge of educating current and potential investors about the Credit, especially with regard to the nature of the risk involved."
-The inaugural NMTC Progress Report (2004), *NMTC Coalition*



NMTC 20th Anniversary Report

# FIRST AWARDS & PROJECTS

## FIRST ROUND AWARDS

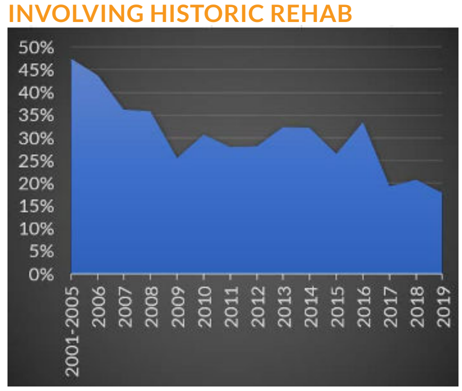
In September 2002, the CDFI Fund received 345 applications requesting a total of $26 billion in allocation. The CDFI Fund awarded the $2.5 billion first round of NMTC allocation in March of 2003 to 67 CDEs from 40 states and the District of Columbia. The CDEs ranged from nonprofit CDFIs already active 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.

### ALLOCATION TO NMTC PROJECTS INVOLVING HISTORIC REHAB




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 all part of a vital tomorrow."

-President George W. Bush, Remarks to the 2004 National Urban League Conference, July 23, 2004.

"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."

Remarks by Tony T. Brown, Director, CDFI Fund, July 31, 2003

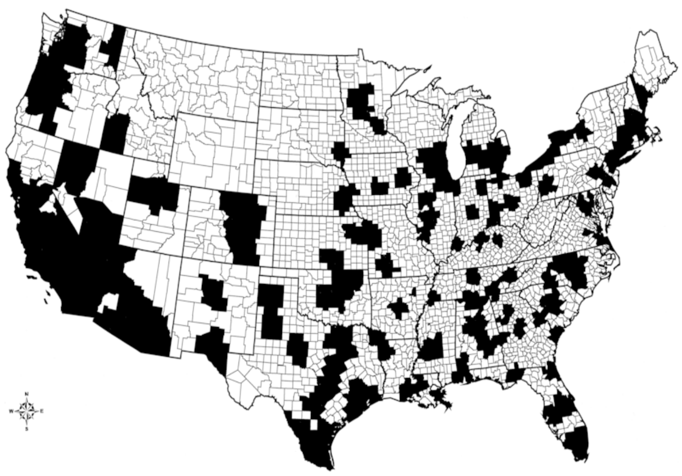
NMTC 20th Anniversary Report

# 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.

**Non-Metropolitan Counties**



In late 2004, Congress addressed the disparity in rural investment through the American Jobs Creation Act (P.L. 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).

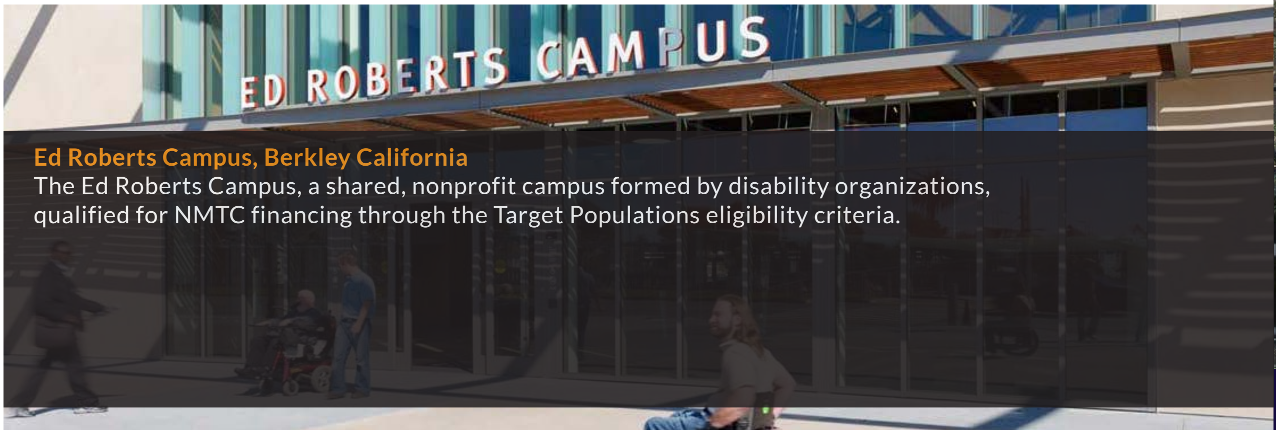
Senator Chuck Grassley (R-IA) led the effort to ensure rural communities received a proportional share of NMTC allocation.

## 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.




**Ed Roberts Campus, Berkley California**
The Ed Roberts Campus, a shared, nonprofit campus formed by disability organizations, qualified for NMTC financing through the Target Populations eligibility criteria.

NMTC 20th Anniversary Report

# 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, P.L. 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.

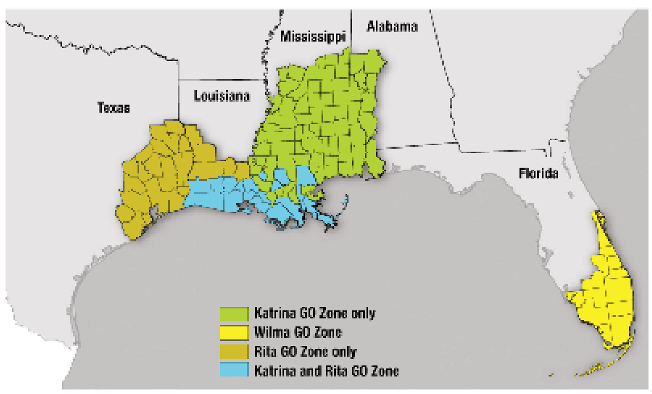
**IMPACT**

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.


**23K JOBS**

**2B IN CAPITAL**





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.

NMTC 20th Anniversary Report

# SUPPLEMENTARY ROUNDS

## THE GREAT RECESSION

When economic calamity strikes, commercial credit markets freeze, philanthropy tightens, and state and local tax revenue collapses. All of these counter-cyclical forces combine to exacerbate recessions by creating a liquidity crisis. The communities hit hardest by the economic fallout from the pandemic are the minority and low-income communities targeted by NMTC.

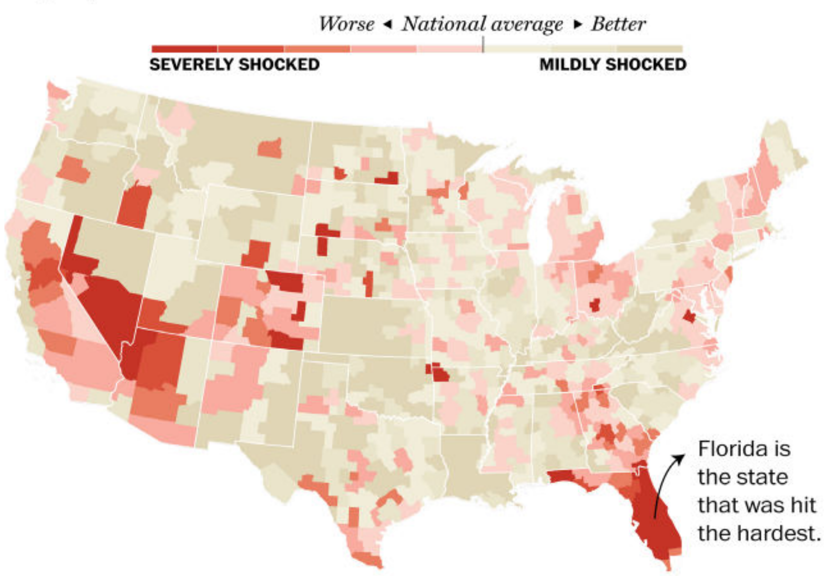
During the early stages of the Great Recession, Congress took a variety of actions to help capital-starved communities access the resources they desperately needed. The American Renewal and Recovery Act of 2009 included an authorization of an additional $1.5 billion in NMTC allocation for both 2008 and 2009 to help more communities access financing to keep businesses open and support critical components of the social safety-net, including health centers, homeless shelters, and other community facilities

### IMPACT

The NMTC delivered $23.6 billion in total project financing over 1,200 businesses and revitalization projects in hard hit communities between 2009 and 2011. Those investments directly created or retained 85,000 permanent jobs and 94,000 construction jobs at a time when the economy was in a free-fall.


**179K JOBS** **23.6B IN CAPITAL**

**The parts of America where the recession hit employment the hardest**




The map separates the U.S. into 741 "commuting zones" — groups of counties that coincide with local labor markets. Nearly 93 percent of Americans live in the same commuting zone where they work, according to census data. Colors denote the 2006-2009 employment rate change relative to a zone's pre-recession level.

Source: "Enduring Employment Losses from the Great Recession? Longitudinal Worker-Level Evidence" by Danny Yagan.

WEIYI CAI/THE WASHINGTON POST

NMTC 20th Anniversary Report

# COMMUNITY IMPACT

The original goal of the NMTC was simple: to ease the flow of capital into regions underserved by conventional lenders. There is no mention of “job creation” or “improved community facilities” in the authorizing legislation or the regulations. Regardless, as the program matured, the Department of the Treasury increasingly tracked community development outcomes and benchmarks, which are now a significant part of the program. This is a recognition that it is not enough to simply shift investment into distressed neighborhoods.

To ensure meaningful economic impacts, the NMTC relies on experienced community development organizations to aggregate public and private resources and deploy them to businesses and revitalization projects. Community development organizations must apply for an NMTC allocation, and in their applications, they must demonstrate a track record of investment in projects that create jobs, improve services, or help triage social challenges such as natural disasters, access to healthcare providers, or a plant closure. Today, Community Development Entities 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.

**484,182**
FULL-TIME JOBS


**544,172**
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.

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 nonprofits, 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 with multiple community facility or social service components. In total, we identified 3,602 discrete community facilities or service provider components of projects. The highlights of our analysis are available on the next page of this report.

### 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 disadvantaged individuals, 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.

NMTC 20th Anniversary Report

# COMMUNITY IMPACT


## 188 HOMELESS SHELTERS & FOOD PANTRIES

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

## 16K AFFORDABLE HOUSING UNITS

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

## 408 ARTS/CULTURAL FACILITIES

Including museums, theaters, and performing arts centers.

## 256 RECREATION FACILITIES

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

## 359 ADULT EDUCATION & VOCATIONAL TRAINING

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

## 1,043 HEALTHCARE PROVIDERS

**Serving over 20 million patients annually.**
Including 388 federally qualified health centers, and 213 facilities specializing in substance abuse or behavioral health services. Below: East Boston Community Health Center, financed in 2012.

## 622 CHILDCARE & YOUTH PROGRAMS

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


## 406 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.

NMTC 20th Anniversary Report

# A MATURING PROGRAM: TRENDS

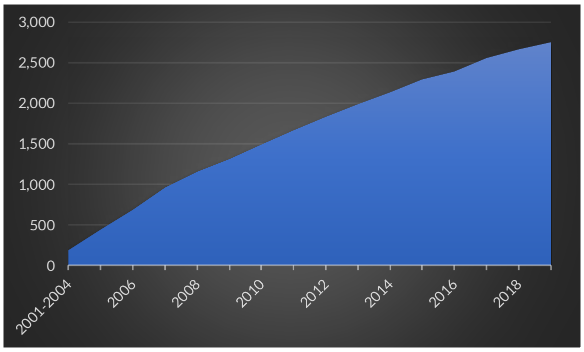
Because the NMTC can finance almost anything a community needs, the program continues to evolve as the communities face new challenges. The program also made significant efficiency gains as stakeholders gained experience with the regulatory regime. As more businesses, nonprofit trade associations, and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

### CUMULATIVE NMTC PROJECTS BY ZIP CODE

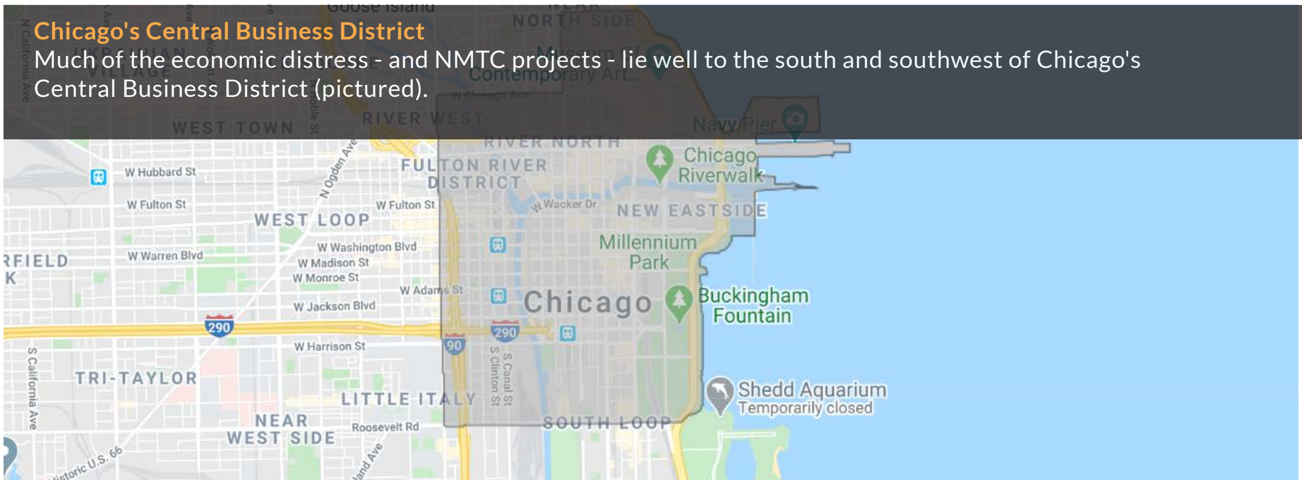



After the CDFI Fund gave consideration to applicants targeting Nebraska, and $213 million reached the state from 2013-2017. The chart below shows the number of zip codes receiving at least one NMTC investment to date.

## 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.



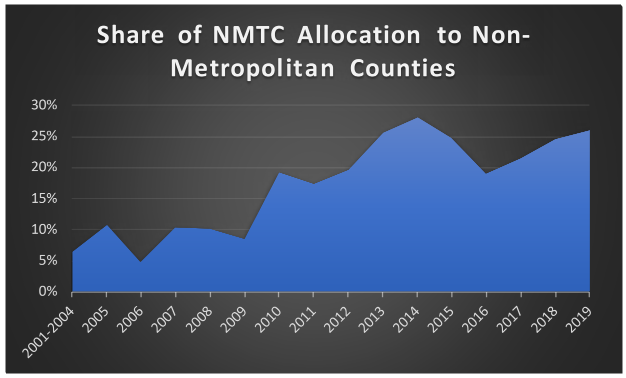

**Chicago's Central Business District**
Much of the economic distress - and NMTC projects - lie well to the south and southwest of Chicago's Central Business District (pictured).

NMTC 20th Anniversary Report

# 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.




| RURAL URBAN COMMUTING CODES | 2001-2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 METROPOLITAN AREA CORE: PRIMARY FLOW WITHIN AN URBANIZED AREA (UA) | 89.5% | 86.8% | 93.8% | 88.1% | 90.5% | 89.7% | 77.6% | 80.5% | 76.3% | 72.2% | 68.8% | 72.8% | 80.1% | 78.5% | 73.3% | 68.6% |
| 2 METROPOLITAN AREA HIGH COMMUTING: PRIMARY FLOW 30% OR MORE TO A UA | 0.4% | 1.0% | 0.3% | 2.0% | 0.2% | 1.4% | 1.8% | 0.9% | 5.1% | 3.0% | 2.9% | 1.9% | 0.8% | 0.5% | 0.1% | 2.6% |
| 3 METROPOLITAN AREA LOW COMMUTING: PRIMARY FLOW 10% TO 30% TO A UA | 0.0% | 0.0% | 0.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 1.1% | 0.4% | 0.3% | 0.5% | 0.1% | 0.6% | 0.2% | 0.9% |
| 4 MICROPOLITAN AREA CORE: PRIMARY FLOW WITHIN AN URBAN CLUSTER OF 10,000 TO 49,999 (LARGE UC) | 0.6% | 3.5% | 2.3% | 5.9% | 4.0% | 3.1% | 5.8% | 6.8% | 7.3% | 11.7% | 12.4% | 12.1% | 11.4% | 11.2% | 13.0% | 17.0% |
| 5 MICROPOLITAN HIGH COMMUTING: PRIMARY FLOW 30% OR MORE TO A LARGE UC | 0.1% | 0.1% | 1.1% | 0.1% | 0.9% | 0.9% | 0.3% | 1.6% | 0.2% | 1.2% | 0.9% | 0.5% | 0.1% | 1.4% | 2.7% | 0.9% |
| 6 MICROPOLITAN LOW COMMUTING: PRIMARY FLOW 10% TO 30% TO A LARGE UC | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.2% | 0.6% | 1.6% | 0.7% | 0.9% | 0.0% | 0.0% | 0.0% |
| 7 SMALL TOWN CORE: PRIMARY FLOW WITHIN AN URBAN CLUSTER OF 2,500 TO 9,999 (SMALL UC) | 7.2% | 1.4% | 1.3% | 0.8% | 3.6% | 1.9% | 9.1% | 2.8% | 4.5% | 4.0% | 5.5% | 6.0% | 4.7% | 3.7% | 4.7% | 4.6% |
| 8 SMALL TOWN HIGH COMMUTING: PRIMARY FLOW 30% OR MORE TO A SMALL UC | 1.1% | 3.1% | 0.0% | 0.2% | 0.1% | 1.3% | 0.1% | 1.2% | 0.3% | 0.8% | 1.6% | 1.8% | 0.4% | 1.1% | 1.8% | 2.3% |
| 9 SMALL TOWN LOW COMMUTING: PRIMARY FLOW 10% TO 30% TO A SMALL UC | 0.0% | 0.0% | 0.0% | 0.5% | 0.0% | 0.0% | 1.7% | 0.1% | 0.2% | 1.4% | 0.0% | 0.8% | 0.1% | 0.2% | 0.2% | 0.0% |
| 10 RURAL AREAS: PRIMARY FLOW TO A TRACT OUTSIDE A UA OR UC | 1.2% | 4.2% | 0.5% | 2.3% | 0.8% | 1.5% | 3.7% | 6.1% | 4.8% | 4.7% | 6.1% | 3.0% | 1.5% | 2.4% | 3.9% | 3.0% |
| 99 NOT CODED: CENSUS TRACT HAS ZERO POPULATION AND NO RURAL-URBAN IDENTIFIER INFORMATION | 0.0% | 0.0% | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.3% | 0.0% | 0.0% |

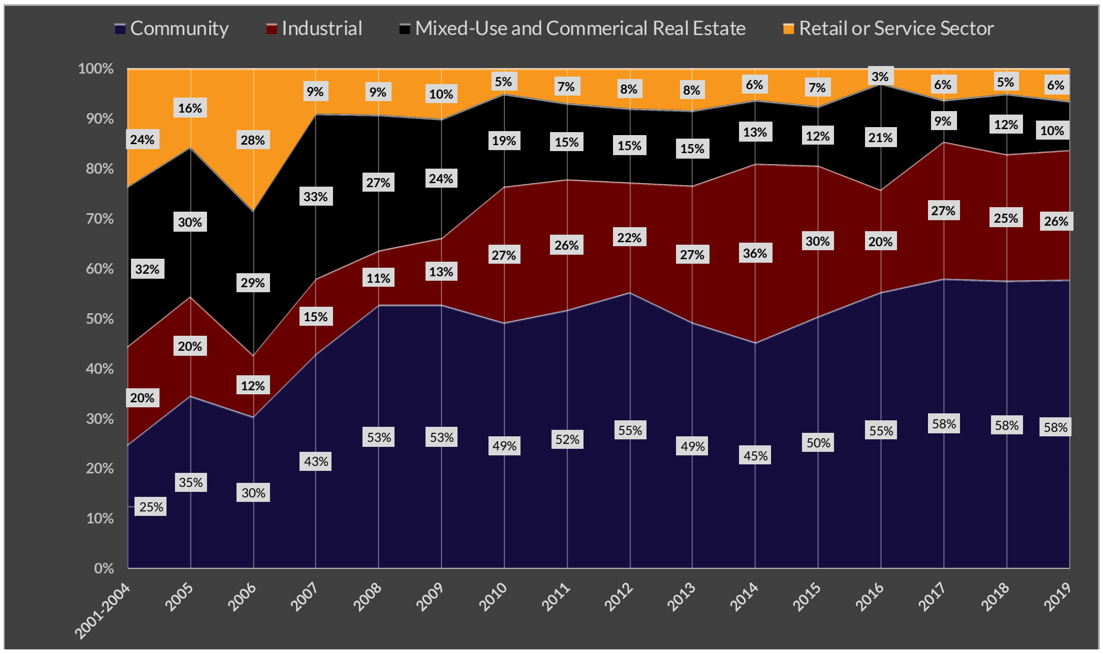
NMTC 20th Anniversary Report

# A MATURING PROGRAM: TRENDS

## 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

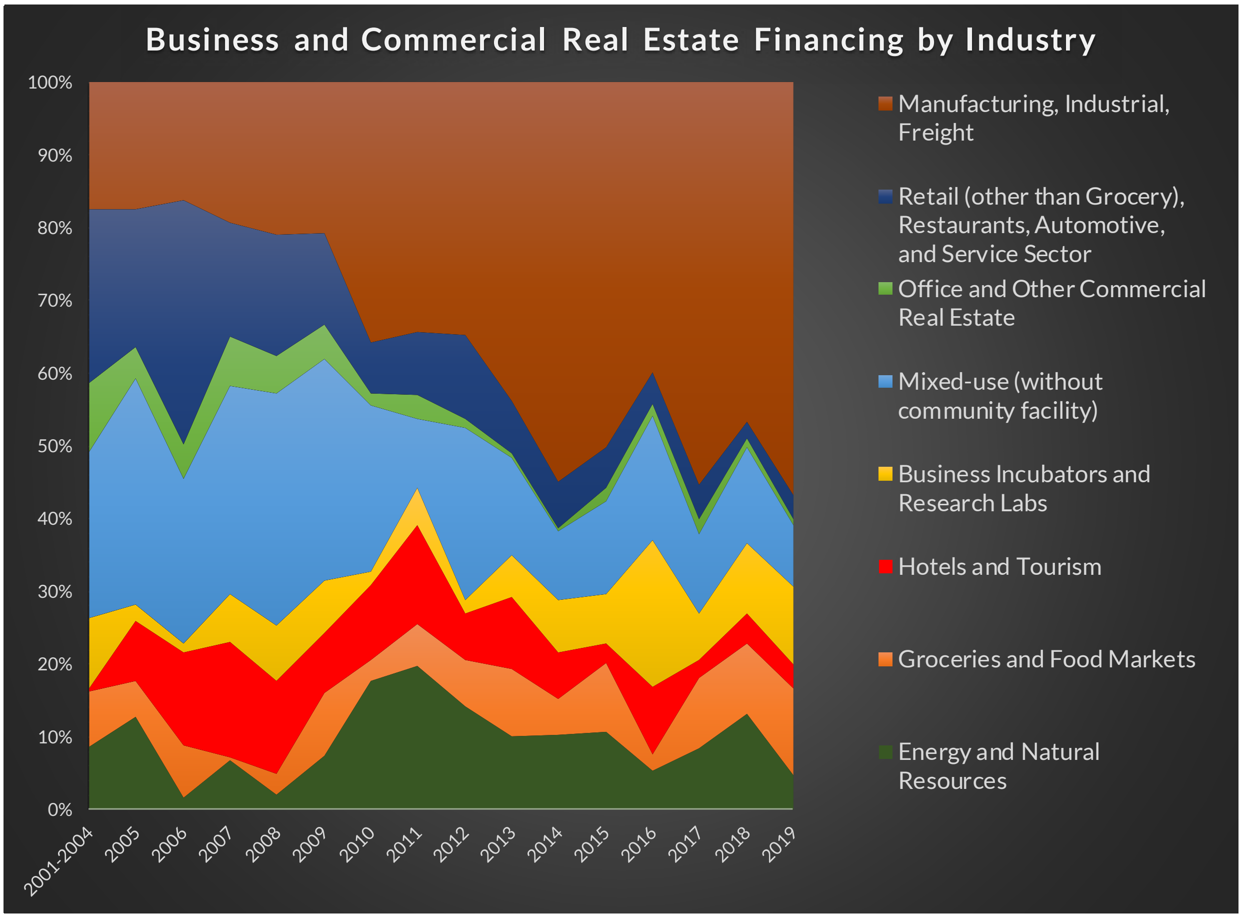
### GALENA, AK

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




## BUSINESS FINANCING AND COMMERCIAL REAL ESTATE

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.

NMTC 20th Anniversary Report

# A MATURING PROGRAM: TRENDS

## 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.

**Parq Hotel, Albuquerque, NM**
In 2010, the New Mexico Finance Authority used $20M in NMTC financing to rehabilitate a former hospital into the Parq Hotel. The project, located in an Albuquerque neighborhood with a poverty rate above 40 percent, created 200 construction jobs and 34 new full-time permanent jobs.

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.

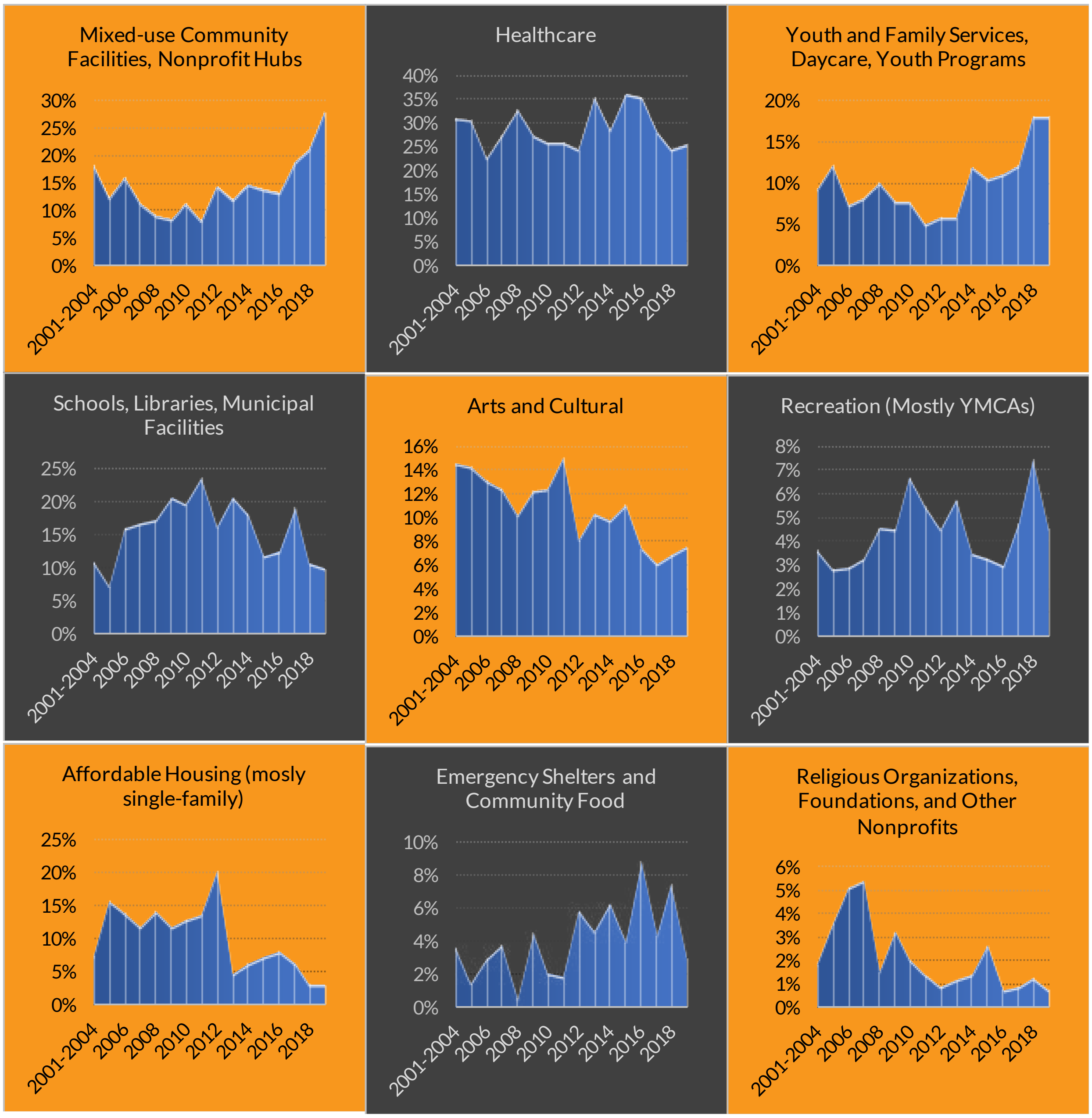
NMTC 20th Anniversary Report

# 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



*An annual snapshot of the New Markets Tax Credit Program*

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