



Community Development Financial Institutions (CDFI) Fund

New Markets Tax Credit Program Overview
2011 EDFIS Peer Networking Conference
August 2011





Overview of the NMTTC Program

- Enacted on December 21, 2000.
- Part of the Community Renewal Tax Relief Act of 2000.
- Provides a credit against Federal income taxes for investors that make Qualified Equity Investments (QEIs) into Community Development Entities (CDEs).
- CDEs in turn use the proceeds of these investments to make Qualified Low-Income Community Investments (QLICIs).
- QLICIs include, among other things, investments in businesses and real estate projects in low-income communities.



Qualified Active Low-Income Community Business (QALICB)

- **What is a typical QALICB?**
 - An operating business located in a LIC.
 - A business that develops or rehabilitates commercial, industrial, retail and mixed-use real estate projects in a LIC.
 - A business that develops or rehabilitates community facilities, such as charter schools or health care centers, in a LIC.
 - A business that develops or rehabilitates for-sale housing units located in LICs.



Ineligible Activities

- Residential rental property:
 - Buildings or structures which derive 80% or more of its gross rental income from renting dwelling units
- Certain types of businesses:
 - **Golf courses**
 - **Race tracks**
 - **Gambling facilities**
 - **Certain farming businesses**
 - **Country clubs**
 - **Massage Parlors**
 - **Hot tub facilities**
 - **Suntan facilities**
 - **Stores where the principal business is the sale of alcoholic beverages for consumption off premises**
- Refer to IRS regulations for additional details.



Credit Amount

- The credit is taken over a 7-year period
- The credit rate is:
 - 5% of the original investment amount in each of the first three years
 - 6% of the original investment amount in each of the final four years
- Equals 39% of amount of original investment



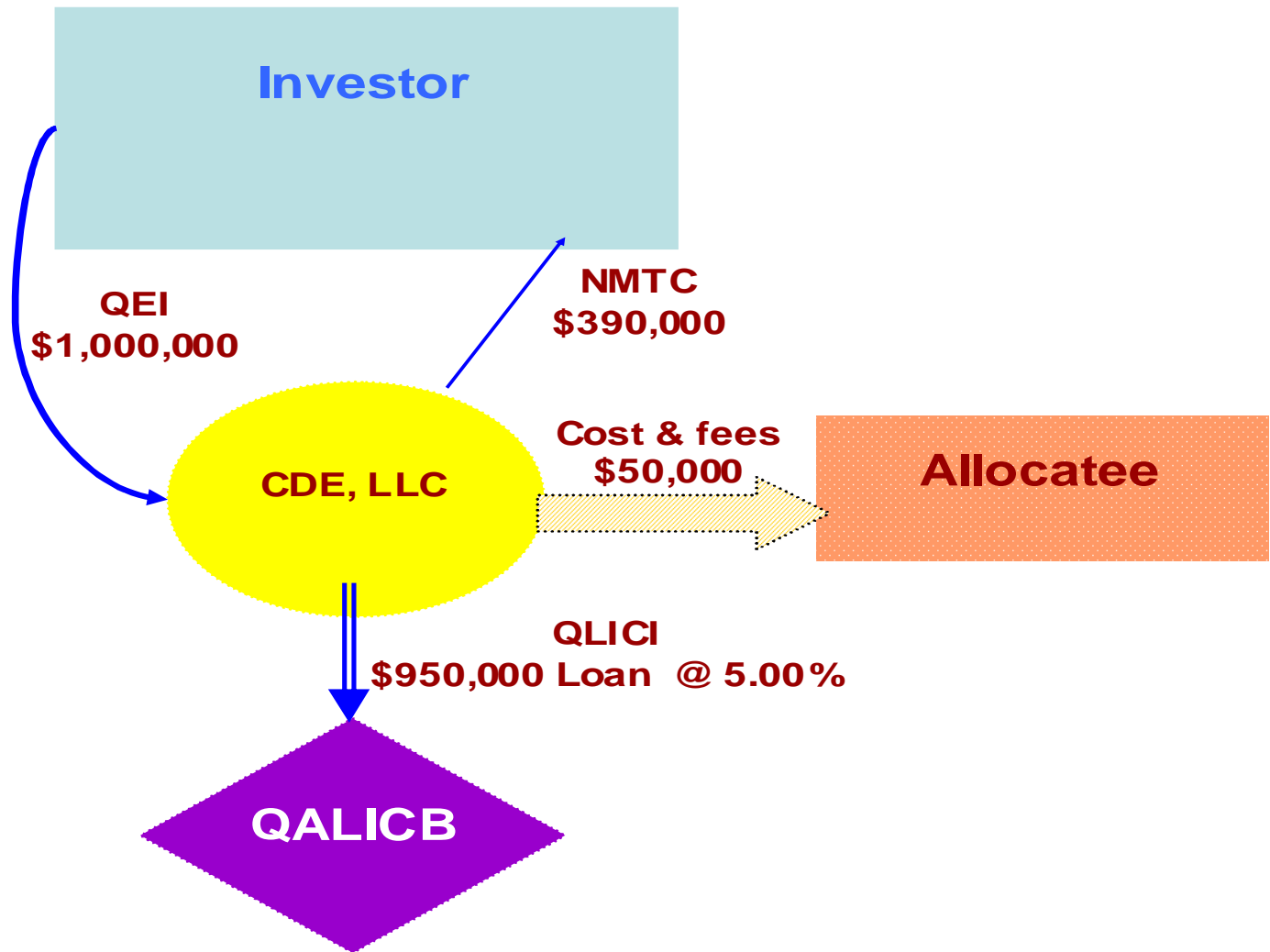
Example

The Fund awards an allocation of \$1 million to a CDE. The CDE offers the tax credit to a single investor in exchange for a \$1 million equity investment. How much can the investor claim as a credit on its Federal taxes?

- Years 1-3 Tax Credit at 5% Value \$50,000 per year
- Years 4-7 Tax Credit at 6% Value \$60,000 per year
- **TOTAL VALUE OVER 7 YEARS.....\$390,000**

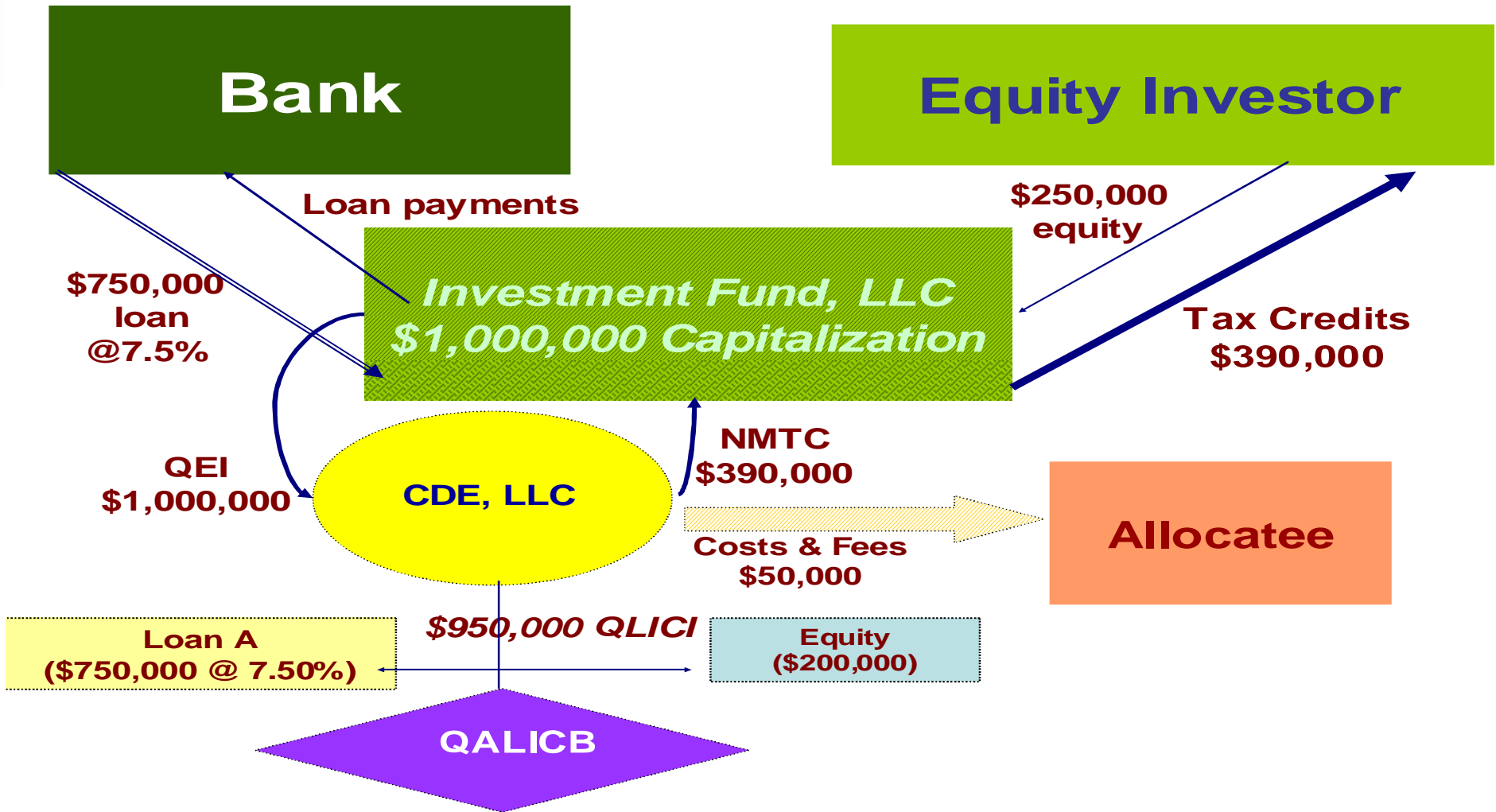


NMTC Unleveraged Structure



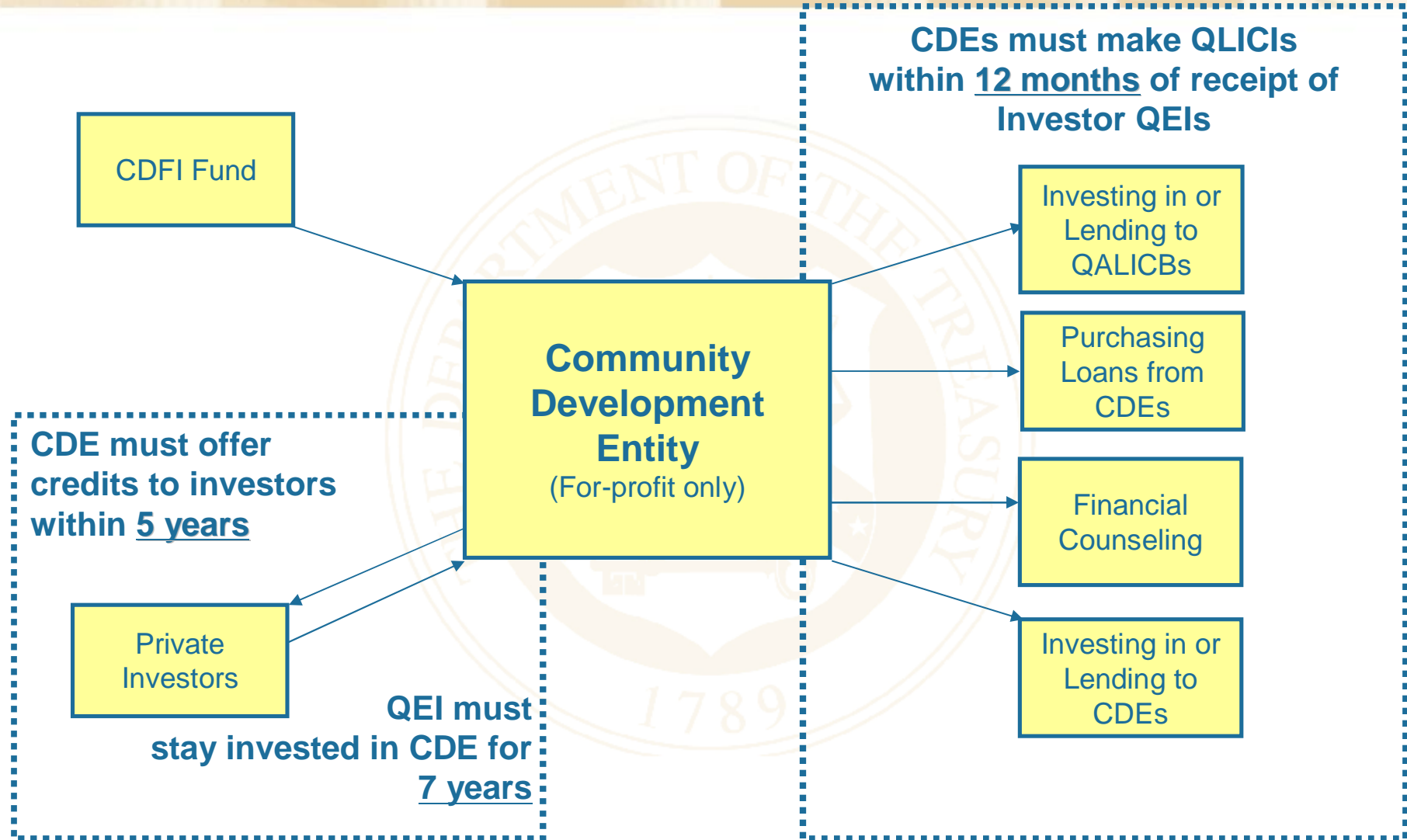


NMTC Leverage Structure





Summary Graphic





NMTC Program Overview

Enacted on 12/21/2000; Part of the Community Renewal Tax Relief Act of 2000

2002	\$2.5 billion	→ Includes 2001 Round
2003	\$1.5 billion	→ Combined for 2004 Round
2004	\$2 billion	
2005	\$2 billion	
2006	\$4. billion	(includes \$600 million GO Zone)
2007	\$3.9 billion	(includes \$400 million GO Zone)
2008	\$5.0 billion	(includes \$1.5 billion Recovery Act)
2009	\$5.0 billion	(includes \$1.5 billion Recovery Act)
2010	\$3.5 billion	
2011	<u>\$3.5 billion *</u>	
TOTAL	\$33 billion	

* Unallocated investment authority may be carried over from year to year through 2015.



How to Tap-in to CDEs with Allocations

- Contact CDE allocatees or consultants that are working with CDE allocatees.
- Contact NMTC trade association.
- Get your transaction(s)/project(s) into future NMTC Allocation Applications.
- Use the CDFI Fund's Website as a resource:
 - QEI Investment Report
 - Allocatee Profiles



Finding CDEs with Allocations

http://www.cdfifund.gov/docs/nmtc/2011/NMTCQEIRReport-August2011.pdf - Windows Internet Explorer

http://www.cdfifund.gov/docs/nmtc/2011/NMTCQEIRReport-August2011.pdf

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http://www.cdfifund.gov/docs/nmtc/2011/NMTCQEIR...

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NMTC Qualified Equity Investment Report

The CDFI Fund is pleased to be able to make available on its website the New Markets Tax Credit (NMTC) Qualified Equity Investment (QEI) Issuance Report (Report). The Report identifies, among other things, each entity that has received allocations of NMTCs; the total allocation amount received by each entity; the dollar amount of allocation authority that has been issued to investors; the amount remaining to be issued to investors; and the predominant markets to be served by each entity.

Users may download this Report and use either the Find toolbar or the Search PDF window to locate a word, series of words, or partial word in the PDF document bearing in mind that it is case sensitive. Users may also find it useful to cross-reference this Report with the Fund's reports on States served by Allocatees for each round of the New Markets Tax Credit Program. These reports are available in the New Markets Tax Credit Program section of the Fund's website. The States served reports allow users to quickly identify Allocatees serving particular geographic areas of interest that users could then look-up in the QEI Issuance Report that lists Allocatees in alphabetical order. The Fund, on a monthly basis, will update the Report based on information reported by Allocatees. Annually, after the Fund completes its competitive review process and successful applicants are selected, the Fund will add those organizations selected to receive allocations of NMTCs to the Report.

NOTES: 1.) Allocatee information reflects the most current information on file with the CDFI Fund as of the date reflected on the QEI Issuance Report. Please contact the Allocatee-identified Contact Person to obtain up-to-date information. 2.) The Total Allocation for Round 5 includes \$9 million of NMTC allocation authority that was reclaimed by the CDFI Fund from two prior Round 1 allocatees and subsequently re-allocated in Round 5.

Summary By Round

Year	Total Allocation	Amount Finalized	Amount Committed	Amount Remaining
Round 1 (2001-2002)	\$2,491,000,000.00	\$2,485,899,041.87	\$4,774,793.00	\$526,165.13
Round 2 (2003-2004)	\$3,500,000,000.00	\$3,493,786,204.29	\$157,946.00	\$6,055,849.71
Round 3 (2005)	\$2,000,000,000.00	\$1,964,830,000.00	\$0.00	\$35,170,000.00
Round 4 (2006)	\$4,100,000,000.00	\$3,962,780,075.65	\$65,530,966.20	\$71,688,958.15
Round 5 (2007)	\$3,909,000,000.00	\$3,463,397,739.48	\$9,858,392.00	\$435,743,868.52
Round 6 (2008)	\$5,000,000,000.00	\$3,769,011,172.50	\$37,076,741.50	\$1,193,912,086.00
Round 7 (2009)	\$5,000,000,000.00	\$2,782,002,730.17	\$0.00	\$2,217,997,269.83
Round 8 (2010)	\$3,500,000,000.00	\$405,388,850.00	\$0.00	\$3,094,611,150.00
Total	\$29,500,000,000.00	\$22,326,895,813.96	\$117,398,838.70	\$7,055,705,347.34



QEI Investment Report

http://www.cdfifund.gov/docs/nmtc/2008/NMTCQEIReport.pdf - Microsoft Internet Explorer

Address http://www.cdfifund.gov/docs/nmtc/2008/NMTCQEIReport.pdf

Letcher County, KY; Lincoln County, KY; Madison County, KY; McCreary County, KY; Owsley County, KY; Perry County, KY; Pulaski County, KY; Rockcastle County, KY; Russell County, KY; Wayne County, KY; Whitley County, KY

Name of Allocatee: Key Community Development New Markets LLC

Year of Award: 2002	Total Allocation: \$150,000,000.00
Service Area: National	Amount Finalized: \$150,000,000.00
Controlling Entity: Key Community Development Corporation (KCDC) and KeyCorp	Amount Committed: \$0.00
Contact Person: Susann Terrell, (216) 689-5546, susann_terrell@keybank.com	Amount Remaining: \$0.00
Predominant Financing: Not Available	
Predominant Market Served: California, Florida, New York, Oregon, Texas, Utah, Washington	

Year of Award: 2007	Total Allocation: \$100,000,000.00
Service Area: National	Amount Finalized: \$25,475,000.00
Controlling Entity: Key Community Development New Markets LLC	Amount Committed: \$74,525,000.00
Contact Person: Rosalyn Ciulla, (216) 689-4472, rosallyn_ciulla@keybank.com	Amount Remaining: \$0.00
Predominant Financing: Real estate financing: Mixed-used (housing + commercial)	
Predominant Market Served: Colorado, Indiana, Maine, New York, Ohio, Oregon, Washington	

Name of Allocatee: KHC New Markets CDE, LLC

Year of Award: 2002	Total Allocation: \$134,000,000.00
Service Area: National	Amount Finalized: \$122,650,000.00

Done Unknown Zone

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Investment
ENTERPRISE

Key Community Development New Markets LLC

Controlling Entity Name: KeyCorp

Headquarters (city, state): Cleveland, OH

Allocation Amount: \$100,000,000

Principal Financing Activity: Real estate financing: Mixed-used (housing + commercial)

Profile:

Key Community Development New Markets (KCDNM) will use its allocation to promote community and economic development, primarily in Key Bank's 13 state retail footprint. KCDNM intends to offer subsidized financing for small business loans; and commercial real estate debt and equity for retail centers, single-family housing, industrial developments, small offices, community facilities and mixed-use buildings which are catalytic to the redevelopment of low-income areas. With its NMTC allocation, KCDNM will be able to offer interest rates up to 400 basis points below-market, and also offer more flexible credit terms including higher than normal loan to value ratios, lower origination fees, longer amortization periods and lower debt service coverage ratios.

Service Area: National [Colorado, Indiana, Maine, New York, Ohio, Oregon, Washington]

% major urban vs. minor urban vs. rural:

Major Urban: 70 %

Minor Urban: 25 %

Rural 5 %

Contact Person:

Rosalyn Ciulla, (216) 689-4472, rosalyne_ciulla@keybank.com



Case Study: Mixed-Use Development

- 3-story mixed-use project (commercial/residential)
 - Commercial units (4)
 - Residential units (21)
 - w 80% AMI 10
 - w 120% AMI 7
 - w Market Rate 4
- Adjacent to \$35M HOPE VI development in a Federal Empowerment Zone

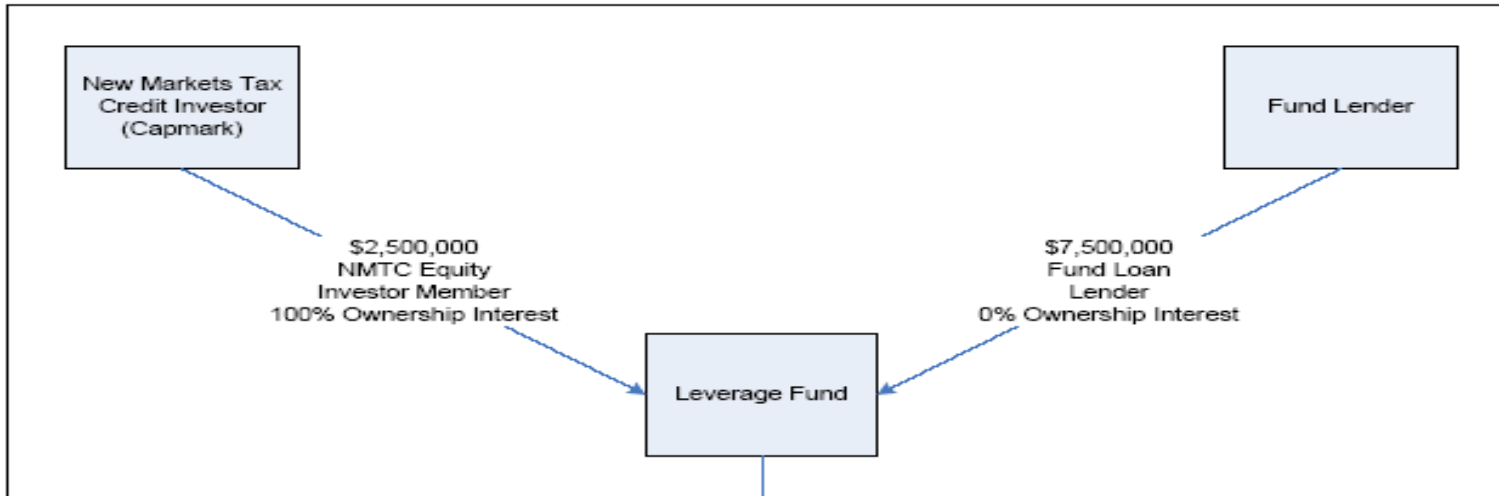
PARTICIPANTS:

- Minority Developer
- Debt Investor
- Equity Investor
- CDE Sponsor

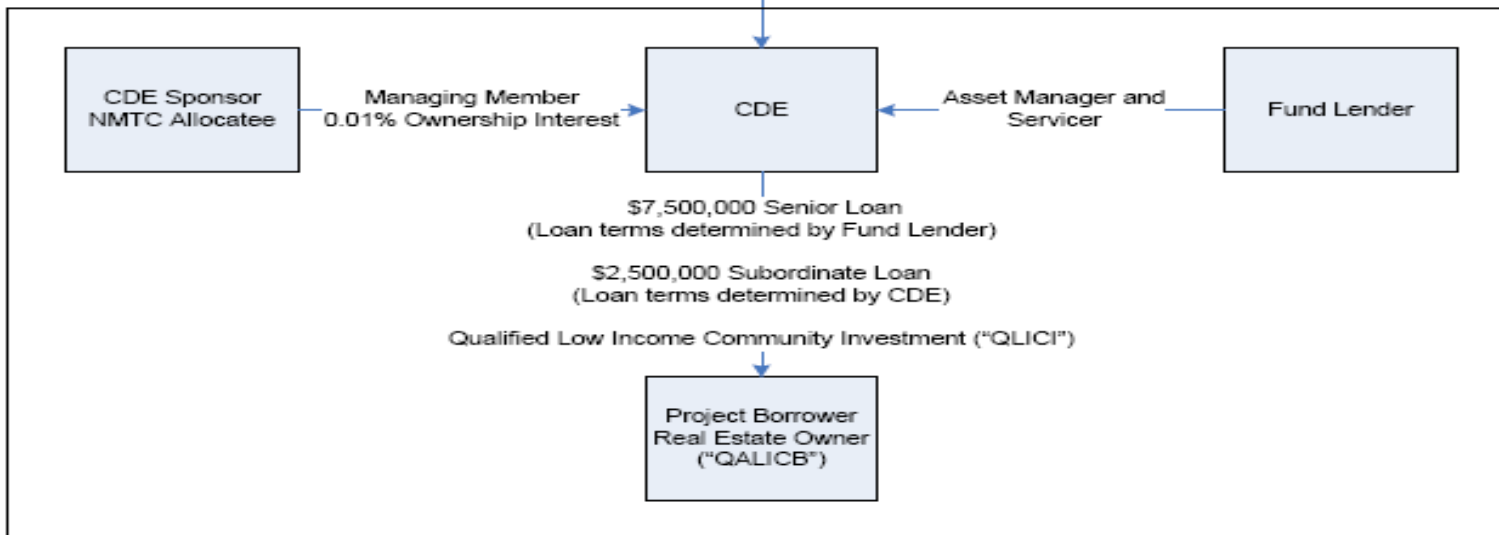


NMTC Project Structure

UPPER TIER



\$10,000,000
Qualified Equity Investment ("QEI")
Investor Member
99.99% Ownership Interest



LOWER TIER



Community Benefits

- Provide quality affordable homeownership opportunities for 21 households. 40% of the households will have incomes less than 80% of the area median.
- Provide a 4,841 sq. ft. venue for small business opportunities for retailers and service providers offering quality goods and services to local area the residents.
- Help competitively position the local housing agency to win future HUD HOPE VI awards.
- Recruitment and training of workforce from local low-income residents.
- Support capacity building of a well respected local minority development company, enabling it to undertake larger projects.
- NMTC experience to first time leverage debt provider.



Sample Activities:

- An emergency worker training facility in Lafayette, LA, developed in the aftermath of Hurricane Katrina, which will train more than 240 students per year and provide more than 60 permanent jobs.
- A loan to a Native American business woman, who operates a pharmacy in western Montana, will enable her to own her business facility for the first time, and create jobs in a high poverty rural community.
- The development of a high-tech business incubator in Detroit that will provide opportunities for minority and women business owners.
- A 161,000 square-foot manufacturing facility in rural Iowa that manufactures parts for wind turbines.
- The development of a charter school, serving 450 middle school and high school students, in the Crenshaw neighborhood of south Los Angeles.



Contact Information

- Contact IRS at new.market.tax.credit@irs.gov
- For questions about:
 - IRS Regulations, Eligibility of possible QLICI activities and Other tax implications of the program

Visit the Fund's website at www.cdfifund.gov

Contact the Fund directly:

Program Support

Ph: (202) 622-6355 (option 3)

Fax: (202) 622-7754

Email: cdfihelp@cdfi.treas.gov

IT Support

Ph: (202) 622-2455

Email: ithelpdesk@cdfi.treas.gov