The Community Development Financial Institutions (CDFI) Fund has awarded $3.5 billion in new markets tax credit (NMTC) authority to 99 community development entities (CDEs). The CDFI Fund had initially anticipated receiving $5 billion and had preliminarily allocated credits accordingly. When Congress extended the NMTC at $3.5 billion in late 2010, the CDFI Fund chose to address the $1.5 billion difference by awarding the same number of allocates in the eighth allocation round as originally planned, but at lower average amounts than in previous years.

“It brings new CDEs into the fold,” said Joseph Wesolowski, senior vice president of structured finance at Enterprise Community Investment Inc., of the high number of allocates. Enterprise received a $62 million allocation in this funding round.

The tax credits, awarded on February 24, will enable the CDEs to assist low- and moderate-income communities and businesses in 47 states and Washington, D.C., according to the CDFI Fund. “The new markets tax credit continues to be a tool for job creation and economic revitalization in areas that struggle to attract investment because of poverty, unemployment and a lack of opportunity,” said CDFI Fund Director Donna J. Gambrell in announcing the awards.

The CDEs that received 2010 NMTC allocations are headquartered in 28 states and Washington, D.C. and will serve at least 47 states and the nation’s capital. Hawaii, Nevada and Utah were the only states not specifically identified as service areas. Allocations ranged from $10 million to $77 million in NMTC authority, with $35 million being the average award. The largest awards, each for $77 million, went to four CDEs: Coastal Enterprises Inc. of Wiscasset, Maine and Rural Development Partners LLC of Mason City, Iowa, both of which will finance businesses in rural areas; National Community Fund I LLC of Portland, Ore., which will focus on environmentally sustainable businesses in urban areas; and National New Markets Tax Credit Fund Inc. (NNMTCF) of Minneapolis, Minn., which will finance businesses in urban areas.

“At a time when businesses must help drive economic recovery, capital availability continues to be a barrier to investment. This NMTC allocation will play a key role in helping us drive capital to businesses so they can expand and begin hiring again,” said Frank Altman, president and chief executive officer of the Community Reinvestment Fund, which is NNMTCF’s controlling entity.

The CDFI Fund reports that 42 allocatees will invest nationally, 18 will invest in multiple states, another 18 will focus on a single state and 21 will focus on local markets. The CDFI Fund anticipates that allocatees will invest $2.055 billion in...
major urban areas and $829 million in minor urban areas. Forty-six percent of the allocatees indicated that they would invest at least a portion of their allocation in rural areas, which should result in $682 million invested in non-metropolitan counties.

“The New Markets Tax Credits program is an important tool for nonprofit community lenders, like the Low Income Investment Fund. NMTCs are the difference in making some projects work that otherwise wouldn’t,” said Kimberly Latimer-Nelligan, chief operating officer of the Low Income Investment Fund (LIIF). San Francisco, Calif.-based LIIF received a $21 million allocation. The CDE has used three previous NMTC allocations to fund poverty-reducing projects, such as food banks and charter schools that have served more than 2,000 low income people.

CDEs such as Rural Development Partners and Montana Community Development Corporation (MCDC) will provide most of their NMTC allocation to projects in non-metropolitan counties. MCDC’s Lynn Dankowski said that the Missoula, Mont.-based CDE would use its allocation for projects similar to the recently completed renovation of the Historic Sears Building in Butte, which MCDC funded with its previous allocation. She said that the tax credit financing really makes a difference in rural communities like Butte. Right after construction began, other businesses began moving into nearby buildings.

“Now there’re cars; [there’re] people on the sidewalk. It’s slowly bringing that part of town back to life. The people of Butte have this renewed, excited pride in their hometown,” Dankowski said.

Community Ventures Corporation (CVC) will also provide funding to Kentucky’s rural areas. “[The NMTC] means possibility and hope for communities and neighborhoods and that’s the business we’re in. Our number one goal is job creation so we really look at projects that are job rich,” said Sandra Noble Canon, CVC’s executive vice president. The Lexington, Ky.-based CDE, which received $18 million during this round, has used four previous allocations to fund hospital expansions and health clinics in non-metropolitan counties.

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Hospitals and other real estate projects are expected to receive $1.8 billion in NMTC proceeds from the 2010 allocation round. Approximately $1.67 billion likely will be used for investments in business, including both small business lending and multi-million dollar equity investments. The CDFI Fund also anticipates that $27.6 million will be used to provide capital to other CDEs.

Gambrell, who was joined by Rep. Elijah Cummings, D-Md., announced the awards at an NMTC-funded renovation project, the American Brewery building in Baltimore, Md. The American Brewery now serves as the headquarters of Humanim Inc., a not-for-profit social and human services provider. City First Bank and the National Trust Community Investment Corporation, both 2010 NMTC awardees, provided NMTCs to the 1887 building in 2008 and 2009. Since completing the renovations, Humanim has provided clinical support services and employment programs to more than 1,500 people.

“The whole jobs/employment angle appealed to us,” Marie Bibbs, City First’s executive vice president and director of its NMTC program, said of the American Brewery project. “The neighborhood was completely distressed.” She added that the tax credits have enabled the CDE and its parent organization, City First Bank of DC, to increase their influence in low-income areas by providing NMTCs and traditional commercial debt to projects and businesses.

More Awards, More Opportunities
Congress authorized $3.5 billion for the 2010 NMTC funding round in December 2010, when it extended the NMTC program. The CDFI Fund had anticipated receiving $5 billion and had allocated credits accordingly. Upon learning that it had $1.5 billion less, the CDFI Fund requested comments from industry participants. Industry groups said that they would prefer that the CDFI Fund reduce the amount of the awards rather than the number of
allocatees. This resulted in average award amounts being lower than in other allocation rounds.

The Clearinghouse CDFI’s CEO Douglas J. Bystry, Waveland Community Development LLC’s CEO Rick Hayes and Enterprise’s Wesolowski saw the larger number of CDEs receiving allocation as positive; a way that will allow more people and communities to benefit from the program.

“There are positives to having more people and communities [win awards],” Waveland’s Hayes said. He added that Waveland anticipated using its $42 million allocation to fund projects that it has in its pipeline.

Several allocatees said that they would partner with other CDEs on larger projects or use their awards to fund smaller projects.

“We hope to leverage it over a greater number of projects by teaming up” with other allocatees, said LIIF’s Latimer-Nelligan.

In addition to collaborating on larger projects, The Clearinghouse CDFI would like to use its $35 million allocation to fund smaller projects. “We’re going to really be looking hard at impact. We’ll really focus on … highly impactful projects … in low-income communities,” said Bystry.

For more information about the 2010 NMTC allocation round, please visit the New Markets Tax Credit Resource Center at www.newmarketscredits.com.