June 17, 2019

Senate Finance Committee
Employment & Community Development Task Force
219 Dirksen Senate Office Building
Washington, D.C., 20510-6200

Dear Employment & Community Development Task Force:

The Low Income Investment Fund (LIIF) is pleased to share comments on the importance of making the New Markets Tax Credit (NMTC) a permanent part of the tax code.

LIIF is a certified Community Development Financial Institution (CDFI) that invests capital to support healthy families and communities. Since 1984, LIIF has provided $2.5 billion in financing and technical assistance in 31 states, leveraging over $12.5 billion in additional private capital and serving more than 2.1 million people. LIIF’s investments have created and preserved 78,000 units of affordable housing; 271,000 child care spaces; 98,000 spaces in schools; and 36 million square feet of community facilities and commercial space. LIIF estimates that our work has created or maintained 159,000 jobs, and generated $65.1 billion in family income and societal benefits.¹ LIIF is a national organization with offices in San Francisco, Los Angeles, New York City, Washington, D.C. and Atlanta.

Like other CDFIs, LIIF’s mission is to raise and deploy private capital to transform low-income communities. By combining loans, grants and technical assistance, we make possible high-impact projects in low-income communities that lack access to traditional bank financing because the transactions are perceived as too risky, costly or small. As detailed below, the NMTC program has significantly enhanced LIIF’s work to provide pathways to opportunity for low income families and communities.

**NMTC’S IMPACT**

The NMTC is a critical resource for the work LIIF and other CDFIs do to generate new economic opportunities in communities throughout the country. Since 2003, the NMTC has delivered more than $95 billion in total project financing to nearly 6,000 projects and businesses, creating over one million jobs at a cost to the government of less than $20,000 per job. Further, twenty-percent of NMTC projects are in rural areas, and most investments are in severely distressed areas that far exceed the statutory requirements for economic distress.

NMTC is a model public private partnership. For every dollar of revenue forgone by the federal government, the NMTC generates an additional eight dollars. Mission-driven CDFIs like LIIF and other Community Development Entities (CDEs) that comprise the NMTC industry take seriously our role as stewards of public resources. While not required in statute, CDEs apply a “but-for” test to ensure the NMTC is truly needed to make a project financially feasible. This “but-for” test exemplifies the industry’s

¹ [https://www.liifund.org/calculator](https://www.liifund.org/calculator) (Social Impact Calculator illustrating economic impact of project investments in form of increased household income, improved health, long term earnings, etc.)
commitment to best serving low-income communities by determining how much NMTC financing is needed to complete the project and maximize community impact.

As noted in the comments submitted by the New Markets Tax Credit Coalition, the importance of the NMTC has only grown since enactment, given the retreat of commercial lenders from many underserved communities in the wake of the great recession, coupled with long term reductions in federal support for community economic development.2

IMPORTANCE OF NMTC PERMANENCY

Since it was authorized in the Community Renewal Tax Relief Act of 2000, NMTC has enjoyed strong bipartisan support. Congress has consistently reauthorized the program because of its strong track record of success, as well as its bipartisan support. Most recently in 2014 Congress extended the program for 5 years, a display of clear support for the program and one that enabled the community development sector to engage in the longer term planning and staffing that any industry needs to undertake to operate efficiently

NMTC is set to expire at the end of this year unless Congress acts. A return to the status quo ante before 2014 – i.e., a system of increasingly last-minute Congressional extensions of the NMTC for one year – injects highly disruptive uncertainty for NMTC investors, CDEs, and most importantly, for the low-income communities that rely on NMTC for investment. Making the NMTC a permanent part of the tax code would provide much-needed stability and certainty to the NMTC market, allowing federal dollars to go even further.

There is also strong bipartisan support for making the NMTC a permanent part of the tax code. Legislation has been introduced in recent Congresses to permanently extend the Credit and adjust annual authority to inflation, which would increase annual allocation from $3.5 billion to just over $5 billion. Legislation introduced this year by Senators Roy Blunt (R-MO) and Ben Cardin (D-MD) – the New Markets Tax Credit Extension Act of 2019, S. 750 – has garnered strong bipartisan support, with 23 co-sponsors at the time this letter was written, several of whom are members of this Committee. Companion legislation in the House (H.R. 1680) has also garnered bipartisan support on and off the House Ways and Means Committee.

Congress also chose to preserve the NMTC in the Tax Cuts and Jobs Act of 2017, a powerful testament to the program’s strong track record and bipartisan support. LIIF strongly urges the Task Force to make the NMTC a permanent part of the tax code. The program creates unparalleled benefits for low-income communities, leverages private sector resources that maximize the federal government’s investment, and enjoys strong bipartisan support.

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2 The federal Office of Management and Budget estimates that, measured as a percentage of GDP, federal spending for community development—including programs at the Department of Housing and Urban Development (HUD), Agriculture, Commerce, and Interior—has fallen by 80 percent since 1980. The largest such program, HUD’s Community Development Block Grant has lost 57% of its purchasing power just since 2000, when the NMTC was enacted. [https://www.cbpp.org/research/federal-budget/block-granting-low-income-programs-leads-to-large-funding-declines-over-time](https://www.cbpp.org/research/federal-budget/block-granting-low-income-programs-leads-to-large-funding-declines-over-time)
LIIF’S NMTC WORK

To date, LIIF has received $518 million in NMTC allocation authority which we have deployed to support innovative and large-scale community development projects across the country. LIIF’s NMTC investments have resulted in 3,659,825 sq feet of community facility space and created/retained 5,427 permanent and 7,967 construction jobs. As illustrated by the examples provided below, LIIF’s NMTC allocations have supported a broad range of community facilities – from child care centers to health clinics to schools and YMCAs. These facilities typically anchor broader neighborhood revitalization efforts that include affordable housing, which enables low-income residents to benefit from expanding local economic opportunities.

In the Near West Side neighborhood of Cleveland, OH, LIIF is providing $8.5 million in NMTC allocation to Urban Community School (UCS) for new construction of a health clinic, an early childhood center and a community facility. UCS currently operates a private catholic school that serves approximately 600 students from Kindergarten through 8th grade (77% minority, 80% low-income). The NMTC transaction will enable UCS to bring critical services to a single, integrated campus right next to the private catholic school.

In Seattle, WA, LIIF provided $7.9 million in NMTC allocation to support a $34.9 million renovation to Pike Place Market, a historic icon for the City of Seattle and one of the oldest public markets in the nation. The six buildings renovated in this first phase of work included 113 units of affordable housing and 89 small business/retail outlets. The NMTC transaction enabled Pike Place to implement green components to several of its buildings, preserve an onsite child care facility and rehabilitate spaces that house local small businesses, community facilities and low-income residents.

In Spartanburg, SC, LIIF is providing $14 million in NMTC allocation to Northside Commons, a mixed-use, mixed-income development that will provide housing and commercial space as part of the Northside Initiative – an integrated community development effort to transform the Northside neighborhood. Northside Commons includes 20 rental apartments; over 14,000 square feet of medical and care coordination space; 5,000 square feet of office space for the Northside Development Group, a Network Member of Purpose Built Communities; and seven student rental units for nearby Wofford College’s new Sustainability Program.

In Baltimore, MD, LIIF provided $10 million in NMTC allocation towards the new 175,000-square-foot development in the Remington neighborhood that will feature 108 units of mixed-income housing, 30,000 square feet of health clinic space, and 15,000 square feet of neighborhood retail. The health clinic space will be occupied by a Johns Hopkins community health clinic and house 17 full-time providers that offer internal medicine, pediatric, OB/GYN and podiatry clinical services. The retail space is proposed to include a fresh food grocer and locally owned small businesses.

In Lafayette, IN, LIIF is providing $7 million in NMTC allocation for the development of a 97,000-square-foot multi-tenant development that is now providing a variety of community services. The development, located immediately adjacent to the existing Ivy Tech Community College campus, includes, workforce readiness and financial literacy programs, child care services, a health center, and quality jobs for the local community.
We are pleased that the Task Force is considering the importance of NMTC permanency and we look forward to working with the full Committee to advance the New Markets Tax Credit Extension Act of 2019. Please contact me at jharwitz@liifund.org for any questions.

Sincerely,

Jonathan Harwitz
Managing Director for Federal Policy & Government Affairs
Low Income Investment Fund