

# **New Markets Tax Credit & CRA Investing**

Community Reinvestment Conference  
San Francisco, CA  
4/1/08

# New Markets Tax Credit

- Part of the Community Renewal Tax Relief Act of 2000
- Enacted on December 21, 2000
- Creates a Federal tax credit for equity investments in Community Development Entities (CDEs)
- \$15 Billion investment authority available between 2002-2007
- \$3.5 Billion available in 2008 through extender legislation

# NMTC Players

- Investor (Bank or corporation)
- CDE (Community Development Entity)  
or lender
- Borrower (project sponsor)

# New Markets Tax Credit

## How it works

- Equity investment must be made to a certified CDE with tax credit allocation for a period of no less than seven years
- CDE must loan or invest money in QLICIs (Qualified Low-income Community Investments)
- Investor receives tax credit as long as 85 % of investment (including principal repayment) remains in qualified investment for the **seven year period**
- Onerous recapture provisions for investor if CDE fails to comply



# Eligible areas

- Low-income census tracts (80% or less of county median income) or
- Poverty rate of 1.25 times national average

And

- Area of Greater Economic Distress:
  - 1.) Poverty rate greater than 30% or
  - 2.) Median income less than 60% or
  - 3.) Unemployment rate 1.5 times national average

# Qualified Low-income community development investments (QLICIs)

## **ELIGIBLE :**

- Commercial Businesses, Offices
- Retail Stores, Manufacturing, Industrial
- Community Centers, For-Sale Housing

## **NOT ELIGIBLE :**

- Residential rental housing, golf courses,
- Gaming facilities, Race Tracks,
- Liquor stores, Some Farming Businesses

# Two main structures

- Non Leveraged

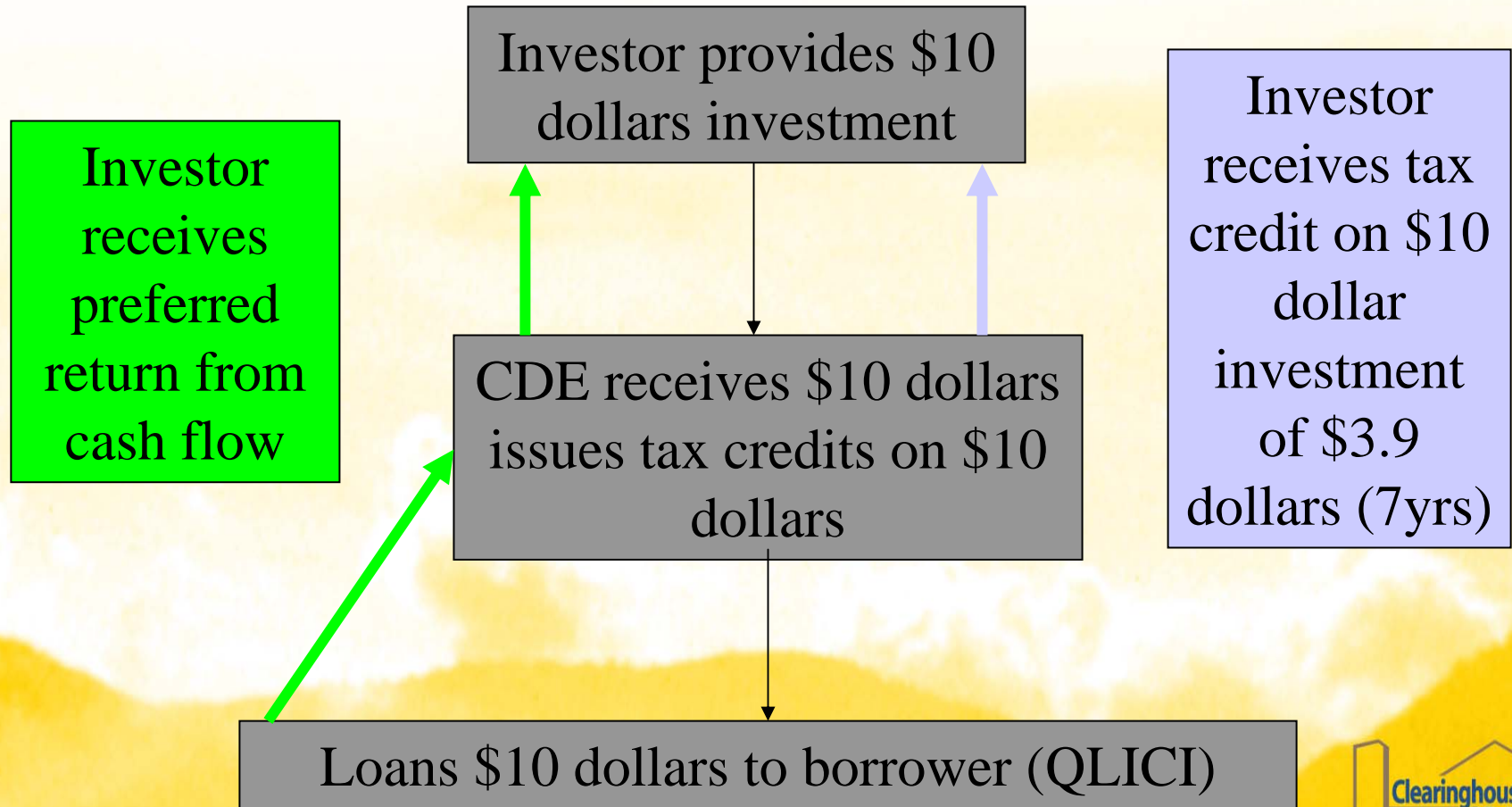
- Funds invested are loaned or directly placed with QLICI (borrower)

- Leveraged

- Investor borrows a portion of their total investment to increase their return

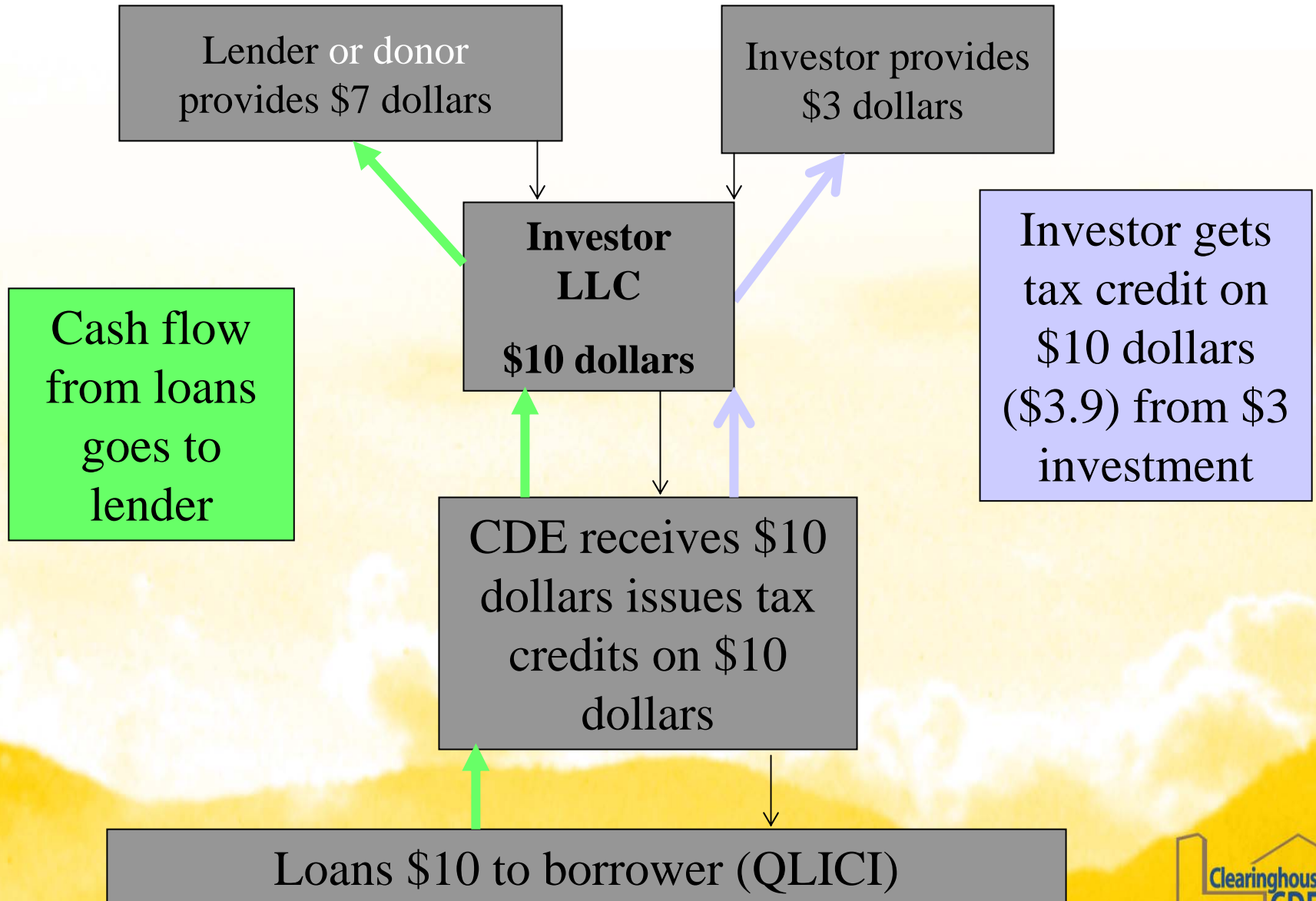
# NMTC Structure

## Non-leveraged





# Leveraged Structure



# Military re-use

## NTC Liberty Station

\$26 million San Diego, CA





# NTC Historic Renovation





# NTC - Offices for Non-profits





# Job Creation



# Revitalization

## Old Theater site - Riverside Ca.

Maric College Trade School

\$ 6.8 million





# Small Business

Grocery store & Locksmith

Los Angeles

\$1.5 Million



# Cold Storage Facility

## Preferred Freezer, Vernon Ca.



- 151 Jobs created



# Market Creek -Shopping Center

San Diego, Ca.

\$15 million



# Market Creek -San Diego

Community Center \$15 million 2.5% interest





# Market Creek –resident ownership





# Pasadena Heritage Housing



# For More information

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