



# CDFI and NMTC Overview

**Clifford Kenwood**

American Community Renewable Energy Fund /  
AMCREF Capital

American Community  
Renewable Energy Fund

AMCREF Capital



# CDFI Fund Mission and Background

- Created in 1994
- Mission:
  - To expand the capacity of financial institutions to provide credit, capital, and financial services to underserved populations and economically distressed communities in the United States.

# CDFI Fund Initiatives

- **CDFI Program:**  
Provides assistance to CDFIs and emerging CDFIs
- **Native American CDFI Assistance (NACA) Program:**  
Supports development and growth of Native American CDFIs.
- **Bank Enterprise Award (BEA) Program:**  
Provides awards to insured depository institutions for increasing investments in CDFIs and/or activities in distressed communities
- **New Markets Tax Credit (NMTC) Program**

# Overview of NMTC Program

- Enacted on December 21, 2000 as 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.

# Overview of NMTC Program

- In 2005, Congress authorized an additional \$1.0 billion in Gulf Opportunity Zone (GO Zone) NMTCs to CDEs focusing on areas impacted by Hurricane Katrina.
- GO Zone NMTCs were awarded in 2 competitive rounds in 2006 and 2007 (\$600 million and \$400 million, respectively).

# Credit Amount

- The NMTC is a 39% tax credit taken over a 7-year period
  - 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
- Credits go to the CDE's QEI investors.

# What is a CDE?

- A domestic corporation or partnership that is an intermediary vehicle for the provision of loans, investments or financial counseling in “Low-Income Communities” (LICs).
- CDEs are required to demonstrate that they:
  - Have a **primary mission** of serving, or providing investment capital for, LICs or Low-Income Persons
  - Are **accountable** to residents of the LICs that they serve

# What is a Low-Income Census Tract?

“Low-Income Communities” (LICs) are census tracts:

- With at least 20% poverty rate; ***or***
- Where the median family income does not exceed 80% of the area median family income; ***or***
- That have a population of less than 2,000, are contained within a Federally designated Empowerment Zone, and are contiguous to at least one other LIC; ***or***
- Where the median family income does not exceed 85% of the area median family income, provided the census tract is located in a high migration rural county.



# Low Income Communities (cont'd)

- Projects not located within LICs, but that otherwise serve ***Targeted Populations***, may also qualify for NMTC investments.
  - For Gulf Opportunity (GO) Zone NMTC allocations, individuals that have been displaced from their homes and/or have lost their principal source of employment in the wake of Hurricane Katrina.

# Qualified Low-Income Community Investments (QLICIs)

## Eligible Investments (QLICIs):

- Any capital or equity investment in, or loan to, any “Qualified Active Low-Income Community Business” (QALICB)
- Purchase of a loan from another CDE if the loan is a QLICI
- “Financial Counseling and Other Services” (FCOS) to businesses located in, or residents of, LICs
- Any equity investment in, or loan to, any CDE

# Qualified Low-Income Community Investments (QLICIs)

## Requirements:

- QEI proceeds must be invested in QLICIs throughout the 7-year credit period.
- CDE reinvestment requirement
  - Years 1-6:
    - Generally, returns of equity, capital or principal must be reinvested within 12 months.
    - Periodic loan repayments may be aggregated for up to 24 months before reinvestment is required.
  - No reinvestment required in year 7.

# Qualified Active Low Income Community Business (QALICB)

## What is a typical QALICB?

- An operating business located in an LIC
- A business that develops or rehabilitates commercial, industrial, retail and mixed-use real estate project in an LIC
- A business that develops or rehabilitates community facilities, such as charter schools or health care centers, in an LIC
- A business that develops or rehabilitates for-sale housing units located in LICs.



# AMCREF GO Zone NMTC Activities

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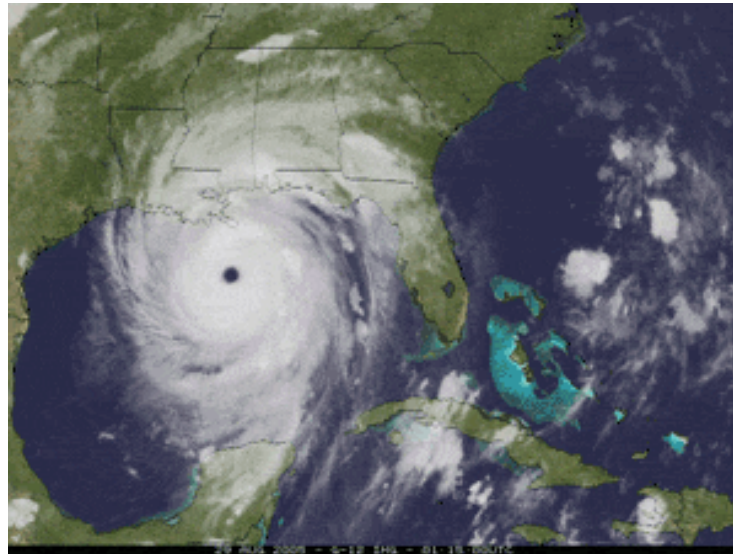
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# AMCREF Overview

- **AmCREF changed its NMTC strategy to address the needs of the Gulf Coast, creating the Gulf Coast Community Rebirth Fund**
  - Rebuild, but smarter and more sustainably
  - Help diversify the Gulf Coast economy
  - Emphasis on renewable energy and cleantech
  - Received 2 “GO Zone” NMTC allocations totaling \$72 million
- **Received 1 non-GO Zone allocation of \$48.5 million in 2009**
  - Renewed focus on renewable energy and greentech/cleantech businesses

# AMCREF Overview

- AMCREF was formed in August 15, 2005
  - New Orleans-based
  - Plan was to apply for New Markets Tax Credits (due mid-Sept.)
  - Target market – community-based renewable energy projects nationwide
  - Then...



# AMCREF GO Zone Investments

- We have invested \$79 million in 10 businesses in the GO Zone, including
  - First 3 technology companies to locate in GO Zone “Post-K”.
  - First high-rise project to “go vertical” in New Orleans Post-K
  - Helped rebuild campus for 140+ year-old independent school whose 9th Ward campus was destroyed in Katrina
  - First major non-casino gaming project built on MS coast Post-K
  - Minority-owned renewable waste-to-energy energy startup



# AMCREF GO Zone Investments

- Family-owned petroleum distributor expanding into biofuels distribution
- New headquarters and business incubator for economic development group that will anchor major new business park
- New green YMCA in Belle Chasse, LA
- Green childhood development center that provide training to teachers across the New Orleans area

# Featured Investment – Make It Right

- Non-profit developer of 150+ innovative, high-performance, affordable green homes for former residents of the Lower 9th Ward
- Reduce energy costs by 75%-100% (LEED Platinum)
- Numerous hurricane and flood resistant features
- Over 211 construction jobs and green building training for local residents and contractors
- Affordable financing, customized loan packages, financial counseling and homeowner/community outreach programs



# Featured Investment – Make It Right

- Only LEED Platinum development in the nation
- Serving as vital and innovative R&D hub for affordable green building nationwide
- Goal is to bring costs of green building down to regular non-green pricing
- Worked with MIR to coordinate second round investment and structure solar activities to take full advantage of state and Federal incentives
- Our funds will pay for solar installations on new homes, and help continue homebuilding project





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THERE'S NO PLACE LIKE NEW ORLEANS.



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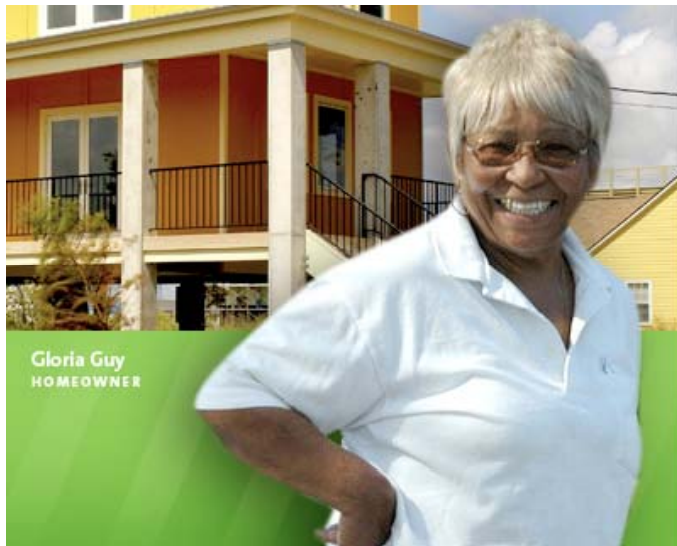


Deldre Taylor  
HOMEOWNER

 See Video



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