CDFI and NMTC Overview

Clifford Kenwood
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 facilitates, 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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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
THERE'S NO PLACE LIKE NEW ORLEANS.
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