LISC

NEW MARKETS TAX CREDITS

CityLink Center Cincinnati, OH

Healthy communities have their own economic engines. Families shop at corner grocery stores. Office complexes down the street from entertainment venues and recreational facilities bustle. A range of local merchants provide goods and services and create jobs. Together, they comprise vibrant commercial corridors that are a community's economic backbone. And as they thrive, they strengthen the citywide and regional economies to which they are so closely connected. Too often, distressed communities simply cannot access the kind of capital needed to make the transformation to vibrant and healthy communities. That's where New Markets Tax Credits (NMTC) come into play.

What are New Markets Tax Credits?

- The NMTC program was enacted in 2000 to attract investment capital to low-income neighborhoods that have been left behind by the traditional private marketplace.
- Under the program, investors receive a tax credit for making equity investments in certified Community Development Entities (CDEs), which in turn use the proceeds to make loans and investments in businesses, real estate projects and community facilities located in low-income communities.
- The credit totals **39 percent** of the original investment amount and is claimed over a period of seven years. The investment cannot be redeemed before the end of the seven-year period.
- CDEs apply competitively to the Treasury Department for the authority to offer the tax credits to their investors. The application process is rigorous, with generally less than one in three applicants being selected to receive credit allocations in any given year.

What are the outcomes?

- To date, **$51 billion** has been invested in low-income communities through the NMTC program, supporting a wide variety of activities including: small businesses, manufacturing facilities, for sale housing, charter schools, health care centers, child care centers, shopping centers and grocery stores, to name but a few.
- **Approximately seventy-five percent** of projects are located in severely distressed communities, characterized by poverty rates of greater than 30 percent, median family incomes of less than 60 percent of the area median income, or unemployment rates at least 1.5 times the national average.
- Through 2017, NMTCs financed **6,619 businesses and real estate projects**, helping to develop or rehabilitate **205 million square feet** of real estate and creating or retaining **800,200 jobs.**
- It has been estimated that the NMTC generates over **$8 of capital for every $1 of federal subsidy.**
- The Government Accountability Office reported that an estimated **88 percent** of NMTC investors said that they would not have made the same investment without the NMTC.

What has been LISC's involvement?

- LISC has placed **$987 million** in NMTC equity investments in **130** different projects in low-income communities throughout the country, supporting **$2.7 billion** in total development costs.
- To date, LISC NMTC investments have supported:
  - More than **20,000 construction and permanent jobs**
  - **10.6 million** square feet of commercial and community space
  - Healthcare facilities serving almost **4,000,000 patients**
  - Educational facilities serving **45,000 students**
  - More than to **670 housing units**

Pearl Food Production Partnership with CommonWealth Kitchen, Dorchester, MA

- LISC has invested NMTCs in community projects including retail, manufacturing, arts, healthcare and childcare facilities, and schools. Some examples include:
  - CityLink Center used **$9.2 million** of LISC allocation to develop an 84,500 square foot community campus for more than 15 social service agencies in **Cincinnati, Ohio**. The center allows these agencies to work collaboratively to give low-income individuals comprehensive employment, education, and financial literacy services under one roof. CityLink serves more than 1,200 clients a year.
  - LISC provided **$13.65 million** in NMTCs to Mountain Park Health Center, a Federally Qualified Health Center offering care in family medicine, women's health, and pediatrics. Mountain Park renovated a vacant building in **Tempe, Arizona** into a health clinic three times larger than its existing clinic to serve an additional 13,000 patients per year.
  - In **rural North Carolina**, LISC used **$10 million** of its allocation to finance the construction of a 150,000 SF new manufacturing facility and finance new equipment for STI, a family-owned fabric manufacturer. STI has hired 75 new employees, and plans to hire an additional 25, all of whom are paid a living wage and benefits such as paid vacation, health insurance and on the job training.
  - LISC provided **$10 million** of allocation to Dorchester Bay Economic Development Corporation to support the redevelopment of a former factory into a food business incubator in **Dorchester, Massachusetts**. In partnership with CommonWealth Kitchen, the project provides more than 50 local small businesses with affordable access to a fully-equipped commercial kitchen and on-site entrepreneurship training in business planning, marketing, recipe development, and more.

What can Congress do?

- NMTCs are scheduled to expire in 2019. They must be made a permanent part of the tax code. If NMTCs disappear, so will investments in some of the nation's most distressed communities.
- Congress should support legislation in the House (H.R. 1680) and the Senate (S. 750) that would make the NMTC permanent, allocate no less than $5 billion in tax credit authority per year, index it to inflation, and permit it to be used to offset the Alternative Minimum Tax (AMT).

LISC is a national non-profit housing and community development intermediary with offices in 32 different cities and a national rural network of 89 organizations.

For more information about the NMTC, please contact Matt Josephs at mjosephs@lisc.org.