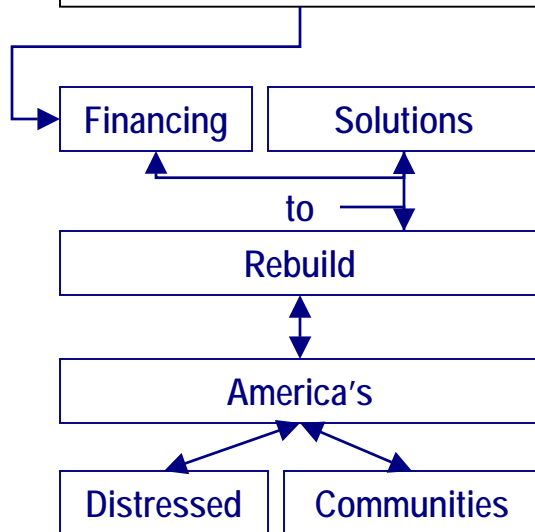


Understanding New Markets Tax Credits

A presentation by:



LISC NMTC Program

Access to Capital &
Investment Tools

2010 Economic Development Finance
Conference
March 30, 2010
Detroit, MI

What is the NMTC Program?

- Federal tax initiative administered by the Department of Treasury's CDFI Fund
- NMTCs awarded annually through a competitive process
- Designed to stimulate private investment capital into underserved markets
- Eligibility:
 - Generally based on geography (i.e., location of activities limited to qualified census tracts)
 - 80% of applicable area median income
 - 20% poverty
 - Targeted Populations Approach based on income of business owners, employees or customers / clients

Eligible Uses of NMTCs

- Applies to a wide range of economic development and business activities
 - Commercial real estate
 - Community facilities
 - Industrial/Distribution
 - Business financing
- Ownership & operation of rental housing is specifically excluded BUT
 - Mixed-use projects are permissible if less than 80% of gross revenue is from dwelling units (or if the project is separated into residential and nonresidential components)
 - The development of housing to rent or sell is permissible, although it presents some significant NMTC financing challenges

Leveraged Financing Structure

- NMTC leveraged financing can fill a 10% - 25% gap in a project's capital budget, with the percentage filled depending upon
 - Amount of financing provided
 - Pricing of NMTC equity
 - Whether ongoing NMTC fees & expenses are reserved at closing or paid out from project operating income
- The funding sources that are providing the other 75 – 80% of capital need to be willing to accommodate some of the requirements of a NMTC financing.
- Compared to 9% LIHTC projects, where the tax credit equity can be as much as 50% of the total development cost, NMTCs are a relatively shallow subsidy
- Unlike LIHTC and HTCs, NMTCs are generated by enhancing other project sources, rather than being based on project expenditures (“uses”)

LISC NMTC Activity To Date

- \$623 million received (largest cumulative NMTC award recipient)
- \$434 million deployed
 - 46 transactions
 - \$1 billion in total development costs
 - 4.9 million square feet of Commercial or Community Space
 - 407 homes
 - 16,000+ Permanent Jobs Created or Retained

*New Central Hotel
(Seattle, WA)*



* As of January 11, 2010

How is LISC using NMTCs?

- LISC brings the value of the NMTCs to communities served by LISC by financing transactions that advance the community development strategies of LISC's local programs, National Rural Program, & other national programs and affiliates
- LISC's NMTC activities build on its core competency in real estate financing for commercial space and community facilities
- LISC generally uses \$5-\$15 million in NMTC financing per transaction and can partner with other CDEs on larger transactions



*S&S Cycle
(Viola & LaCrosse, WI)*

LISC NMTC Project Snapshot



Rowe Building (Flint, MI)



Project Basics:

- The building's first floor is expected to contain two restaurants. The second and third floors will be leased to Rowe Professional Services, an engineering and consulting firm. The fourth floor will contain eight loft apartments, two of which will be affordable to tenants earning no more than 80% of the area median income.
- The project is being developed by Uptown Reinvestment Corporation (URC) is a nonprofit organization formed to strategically target areas in downtown Flint for revitalization.

Community:

- 44% poverty rate
- Family income 39% of area median
- Unemployment over 4x of national average

LISC NMTC Project Snapshot



Rowe Building (Flint, MI)

Financing:

LISC NMTC Leverage Source(s):

<i>Flint Section 108 Loan</i>	\$ 3,319,641
<i>Developer Loans</i>	\$ 2,002,505
<i>NMTC Net Equity</i>	\$ 1,232,854

LISC NMTC Financing **\$ 6,555,000**

MMF NMTC / Historic Equity \$ 2,447,146

MMF Loans \$ 3,952,584

Total Development Costs **\$ 12,954,730**

Community Impact:

- 44,311 s.f. of commercial space
- 8 housing units (2 affordable)
- 200 permanent jobs
- 60 student housing units

NMTC Investor:

US Bank

Argonaut Building (Detroit, MI)



Community:

- 26% poverty rate
- Family income 61% of area median

Project Basics:

- The project will rehabilitate the 11-store Argonaut Building within the New Center area of Detroit into approximately 600,000 square feet of space including over 500,000 square ft devoted to College of Creative Studies and an additional 90,000 sq. ft. for compatible nonprofits, a retail/service component, and design accelerator office space.
- The project is central to the New Center Economic Development Plan that is designed to revitalize the New Center Area while preserving its noteworthy historic architecture.

LISC NMTC Project Snapshot



Argonaut Building (Detroit, MI)

Financing:

LISC NMTC Leverage Source(s):

<i>Historic Tax Credit Equity</i>	\$ 9,000,000
<i>NMTC Net Equity</i>	\$ 3,000,000
	<hr/>
	\$ 12,000,000

Other Financing Sources

Enterprise NMTC Financing	\$ 12,500,000
NCB NMTC Financing	\$ 15,000,000
US Bank NMTC Financing	\$ 8,000,000
Other Financing Sources	\$ 97,500,000

Total Development Costs **\$ 145,000,000**

Community Impact:

- 500,000 s.f. of community space
- 100,000 s.f. of commercial space
- 210 construction jobs
- 200 permanent jobs

NMTC Investor:

US Bank

LISC NMTC Program



LISC NMTC Origination Staff

Jill Steen
NMTC Underwriter
Phone: (312) 697-5698
E-mail: jsteen@nefinc.org

Paul Breckenridge
NMTC Consultant
Phone: (206) 324-0229
E-mail: paul@breckcs.com

Robert Poznanski
Vice President, New Markets
Phone: (269) 343-5472 x 3
E-mail: rpozanski@nefinc.org