

New Markets Tax Credit Bulletin

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NEW MARKETS TAX CREDIT ROUND VII GENERAL STATISTICS

October 30, 2009

On October 30, 2009, the CDFI Fund of the U.S. Treasury Department announced its Round Seven allocation of New Markets Tax Credits (NMTC). The CDFI Fund awarded \$5 billion in Credit authority to 99 Community Development Entities (CDEs).

The CDFI Fund has made 495 allocation awards in these seven allocation rounds totaling \$26 billion. As in past years, the demand for NMTC in 2009 far exceeded the amount of Credits available. This year 249 CDEs submitted requests for \$22.5 billion in credit allocations and 40% or 99 CDEs were ultimately successful.

Table 1 – NMTC Rounds I-VII

Application Demand, Available Allocation and Number of Allocatees

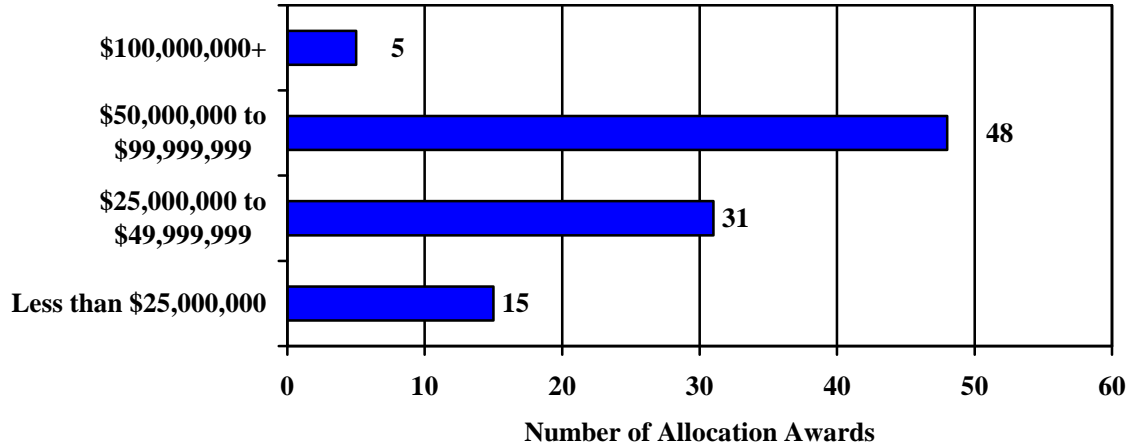
Round	Application Demand	Available Allocation	# of Allocatees
Round I	\$ 26,000,000,000	\$ 2,500,000,000	66
Round II	\$ 30,000,000,000	\$ 3,500,000,000	63
Round III	\$ 23,000,000,000	\$ 2,000,000,000	41
Round IV	\$ 28,300,000,000	\$ 4,100,000,000	63
Round V	\$ 27,900,000,000	\$ 3,900,000,000	61
Round VI	\$ 21,300,000,000	\$ 5,000,000,000	102
Round VII	\$ 22,500,000,000	\$ 5,000,000,000	99
TOTAL	\$ 179,000,000,000	\$ 26,000,000,000	495

These 99 CDEs are headquartered in 30 states and the District of Columbia and Puerto Rico and intend to target their NMTC allocations to 49 states and D.C. and Puerto Rico.

The Round VII Credit allocations range from \$4 million to \$125 million¹. Chart 1 shows that 5 CDEs received \$100 million or more and 48 CDEs were awarded Credits between \$50 million and \$99.9 million. Another 31 CDEs received allocations between \$25 million and \$49.9 million and 15 CDEs received allocations less than \$25 million each. The median and average allocation award amounts in Round VII are \$50 million.

¹ The CDFI Fund placed a \$150 million cap on NMTC allocations beginning with Round III.

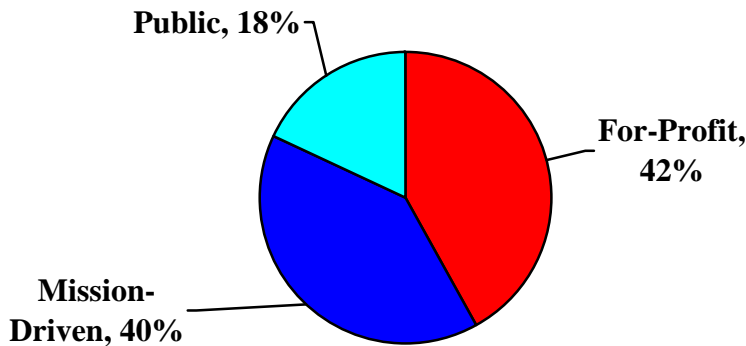
Chart 1 – NMTC Round VII
Range of Allocations in \$



Allocation by Type of Parent

In Round VII, mission-driven organizations received 40% of the allocation awards while CDEs affiliated with for-profit parents received 42% of the total, and public bodies were awarded 18% of allocation authority. (See Chart 2 and Table 2)

Chart 2 – NMTC Round VII
Credit Distribution by % of \$



In 2009, the total allocation to the 39 mission-driven CDEs (including 26 CDFIs) and total allocation to the 42 CDEs with a for-profit parent is about equal at \$2 billion each. The 18 CDEs affiliated with public entities received \$875 million.

Each Round, CDEs have indicated in their Allocation Applications what portion of their investments will be made in major urban, minor urban and rural areas, but those are non-binding targets. Round VII allocatees, similarly, have indicated what percentage of their activities will be targeted to major urban, minor urban and rural communities in their service area, if any.

Pursuant to Section 102(b) of the Tax Relief and Health Care Act of 2006 which was the NMTC extender vehicle in 2006, the CDFI Fund must ensure that a proportional allocation of Qualified Equity Investments will be provided in non-metropolitan counties. (The Office of Management and Budget defines non-metropolitan counties as those not contained in a Metropolitan Statistical

Area.) For this reason, CDEs proposing to serve non-metro areas must agree to a binding commitment to invest in those areas. This year’s allocatees, in compliance with that provision, have committed to investing about \$1 Billion (20%) to non-metro areas.

Table 2 shows that CDEs with mission-driven parents have committed to invest 23% of their allocation in non-metro areas, as compared with 19% by CDEs with for-profit parents and 15% by CDEs with public parents. The fact that mission-driven CDEs will invest more in non-metro areas than for-profit CDEs is consistent with results from the previous five allocation rounds.

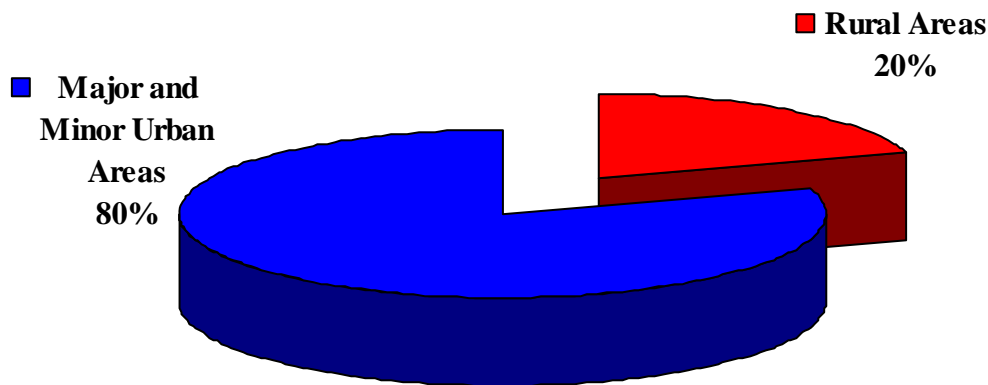
Table 2 – NMTC Round VII
Allocation by Type of CDE Parent, Allocation Amount & Committed Non-Metro Share

CDE PARENT	NUMBER OF CDEs	TOTAL ALLOCATION	ALLOCATION FOR NON-METRO AREAS	PERCENT OF ALLOCATION FOR NON-METRO
Mission-driven	40	\$2.01 Billion	\$455.16 million	23%
<i>CDFIs</i>	26	<i>\$1.3 Billion</i>	<i>\$298.75 million</i>	23%
For-profit	41	\$2.1 Billion	\$390.6 million	19%
Public	18	\$875 million	\$130.1 million	15%
Total	99	\$5 billion	\$998.9 million	20%

Total Geographic Distribution

Chart 3 displays that CDEs will direct 80% (\$4 billion) of their activities to major and minor urban areas. The remaining 20% (\$998.9 million) will be targeted to non-metropolitan communities.

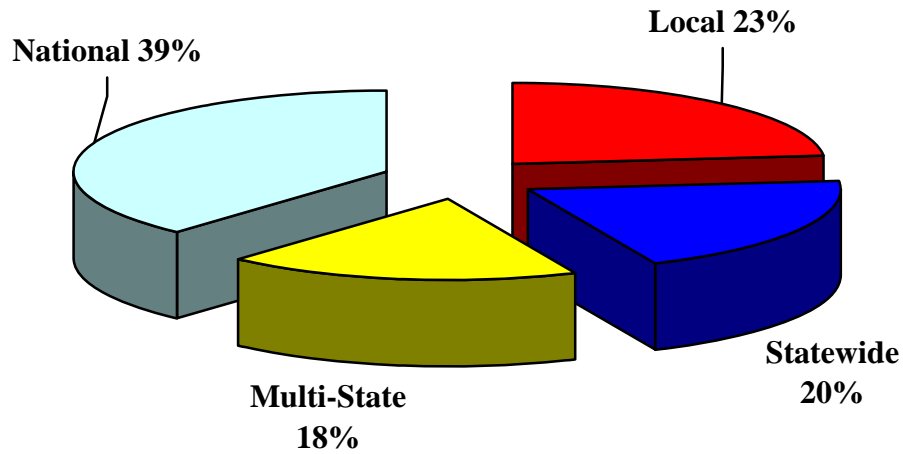
Chart 3 – NMTC Round VII
Overall Urban and Rural Distribution by % of \$



Jurisdictions Served

According to the CDFI Fund, 23 CDEs will target a specific city or county; 20 will conduct statewide programs; 18 will work in a multi-state area, and 38 will work nationwide (See Chart 4).

Chart 4 – NMTC Round VII
Jurisdictions Served



Source: CDFI Fund

CDEs with the Largest Allocations

Table 4 shows the five CDEs with the largest allocations in Round Seven. These groups represent four mission-driven CDEs and one for-profit CDE.

Table 4 – NMTC Round VII
Largest Allocations, Headquarters of CDE and Service Area

CDE	HQ STATE	ALLOCATION	SERVICE AREA
1 Coastal Enterprises, Inc.	ME	\$125 million	National
2 Local Initiatives Support Corporation	NY	\$115 million	National
3 HEDC New Markets, Inc.	NY	\$110 million	National
4 The Clearinghouse CDFI	CA	\$100 million	Statewide
5 Waveland Community Development, LLC	WI	\$100 million	National
	TOTAL	\$550 million	

CDEs Contributing the Most to Rural Communities

In Round VII, 49 allocatees will be required to target at least \$998.86 million in NMTC investments to non-metropolitan areas. Twenty-five CDEs plan to target 20% or more of their allocation to rural areas and ten of these will invest 50% or more of their allocation in rural areas.

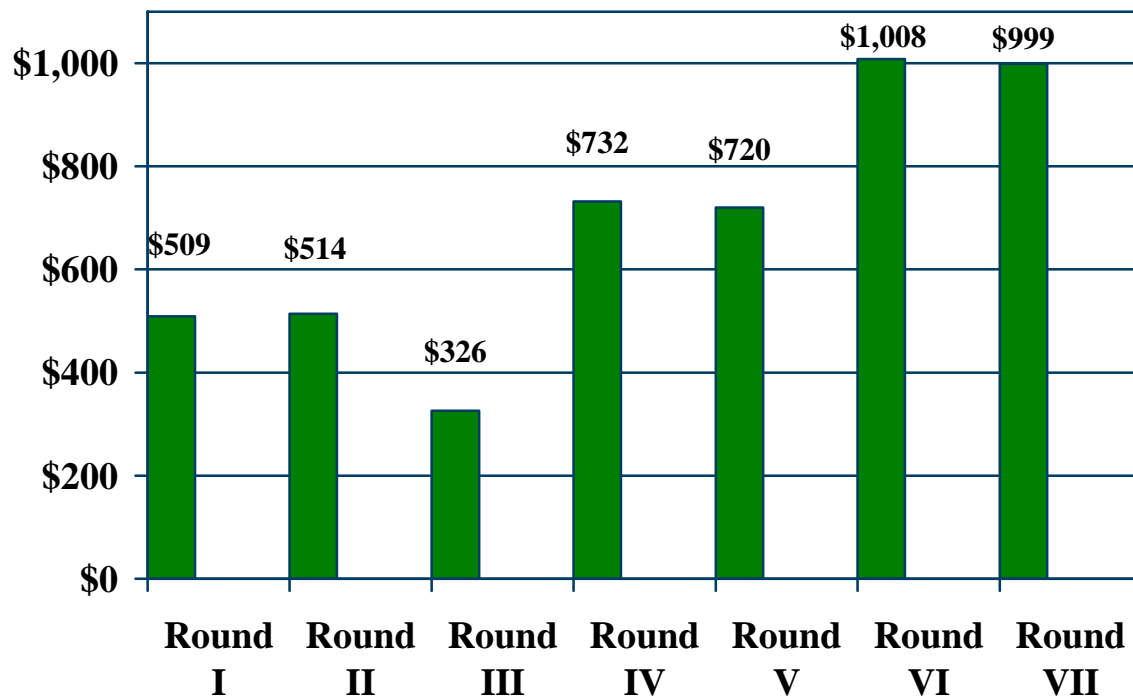
The CDEs listed in Table 5 will commit the greatest amount to rural communities – two of these will invest 91% of their allocation for these purposes. Three of these CDEs have for-profit parents and two are mission-driven. Four CDEs have national service areas and one has a statewide service area. The total NMTC investment in rural communities from these five CDEs combined (\$338.65 million) is about a third of all commitments to rural investment in Round VII allocations.

Table 5 – NMTC Round VII
CDEs Committing the Greatest Amount to Non-Metro Areas

CDE	HQ STATE	ALLOCATION For Non-Metro	SERVICE AREA
1 Coastal Enterprises, Inc.	ME	\$80 million	National
2 Rural Development Partners, LLC	IA	\$72.8 million	National
2 Travois New Markets, LLC	MO	\$72.8 million	National
4 Boston Community Capital Inc.	MA	\$65.45 million	National
5 Heartland Renaissance Fund, LLC	AK	\$47.6 million	Statewide
	TOTAL	\$338.65 million	

Chart 5 compares the allocations targeted to rural areas over the seven allocation rounds. The percentage of dollars targeted to non-metro areas in Round VII is about equal to Round VI at the required 20%. Over the course of the program the following percentage of dollars were targeted to non-metro areas: Round I (20%), Round II (14%) Round III (16%), Round IV (17%) and Round V (18%). Until Round VI CDEs often reported they would focus a certain percentage of activities or dollars to rural areas but were not required to make that actual level of investment in rural areas as they indicated on their application. This year it is certain that at least \$998.86 million will be invested in non-metro areas.

Chart 5 – NMTC Rounds I-VII
CDE Rural Targeting (in \$ millions)



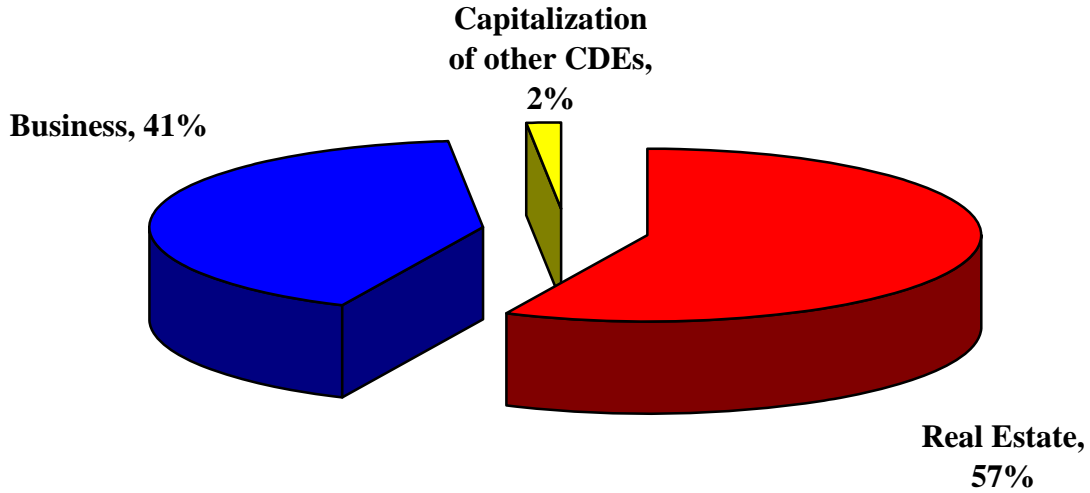
Predominant Financing Activity

According to the CDFI Fund, 57% of Round VI allocations, or \$2.85 billion, will be used to finance real estate projects in low-income communities. Of the 71 CDEs to focus on real estate financing, the vast majority (47 CDEs) will focus on mixed-use projects. Another 14 CDEs will target community facilities, 4 will finance retail, 3 will finance industrial or manufacturing projects, 2 CDEs state they will focus on for-sale housing and 1 will focus on office space.

This year 28 CDEs will focus their investment activity on businesses. About \$2.07 billion (41.4%) will be directed as loans or equity investments in businesses in low-income communities which is slightly less than the 46% of allocations in Round VI that were targeted to business financing but well above the 31% of allocations driven to business financing in Round V.

Finally, according to the CDFI Fund just \$79 million (1.6%) will be used to finance other CDEs or to purchase loans from CDEs (See Chart 6).

Chart 6 – NMTC Round VII
Types of Financing Activity



Source: CDFI Fund

Round I – Round VII Comparisons

The CDFI Fund has now allocated \$26 billion in Credits during these seven rounds of New Markets Tax Credits. Chart 7 shows that of this total, \$12.4 billion has been awarded to CDEs with for-profit parents, \$10.2 billion has been awarded to entities with mission-driven parents and \$3.2 billion to CDEs affiliated with a public entity.

In Round VII, CDEs that have either a mission-driven or a public parent together make up almost 60% of the total allocatees and have received 52% of the total award amount over the history of the program.

Chart 7 – NMTC Rounds I-VII
Total Distribution of Allocations by Type of CDE Parent

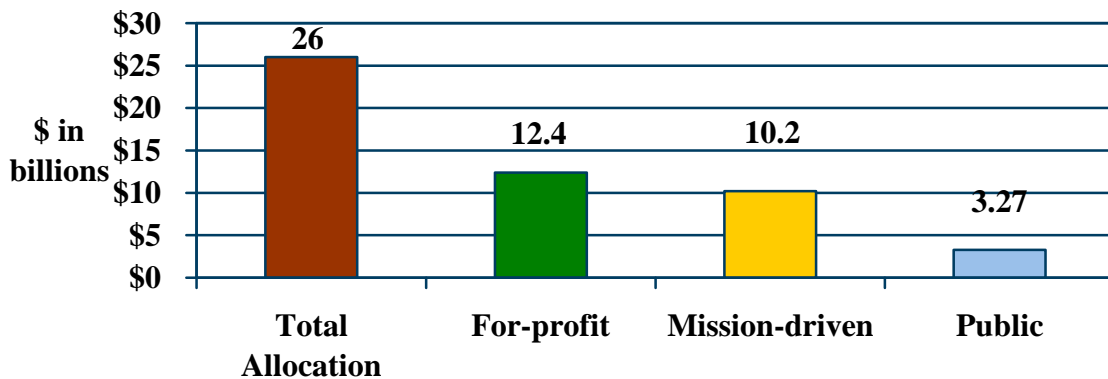


Chart 8 illustrates the average and median allocations in Rounds I through VII. Last year in Round VI both the average and median allocations went down, but the number of allocations increased to an all-time high of 102 allocations. In Round VII the average and median allocations are about equal at \$50 million each.

Chart 8 – NMTC Rounds I-VII
Average and Median Allocations

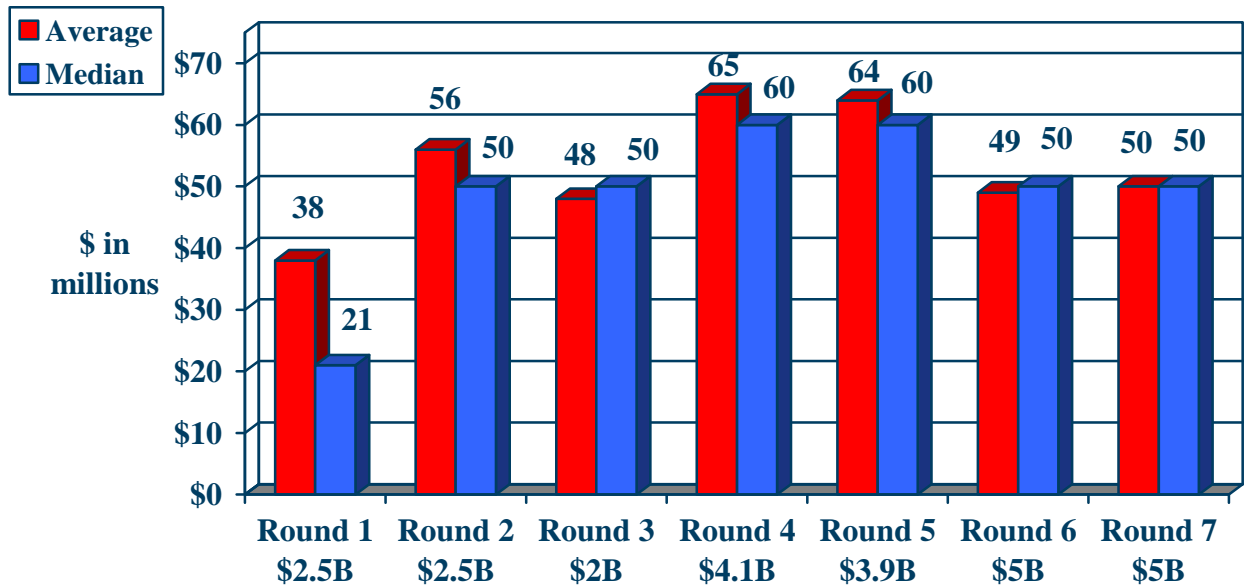


Table 6 shows the trend in the size of the average allocation for CDEs with a for-profit, mission-driven, and public parent.

Table 6 – NMTC Rounds I-VII
Average Allocation Amount by Round, Type of CDE Parent

Type of CDE Parent	Round 1	Round 2	Round 3	Round 4	Round 5	Round 6	Round 7
Mission-driven	\$31 million	\$56 million	\$49 million	\$59 million	\$67 million	\$50 million	\$50 million
For-profit	\$38 million	\$58 million	\$50 million	\$72 million	\$64 million	\$51 million	\$51 million
Public	\$98 million	\$54 million	\$38 million	\$61 million	\$55 million	\$40 million	\$48 million

The history of Credit allocations to CDEs with for-profit, mission-driven, and public parents is illustrated in Chart 9. The number of allocations to CDEs with for-profit parents reached a high of 36 in Round V while the number of allocations awarded to CDEs with mission-driven parents was just 16 in Round V. Over the past two Rounds, however, you can see a marked shift with more mission-driven CDEs receiving allocations than ever before. The number of allocations made to public CDEs has increased in recent years as well.

Chart 9 – NMTC Rounds I-VII
Number of Allocatees by Round, Type of CDE Parent

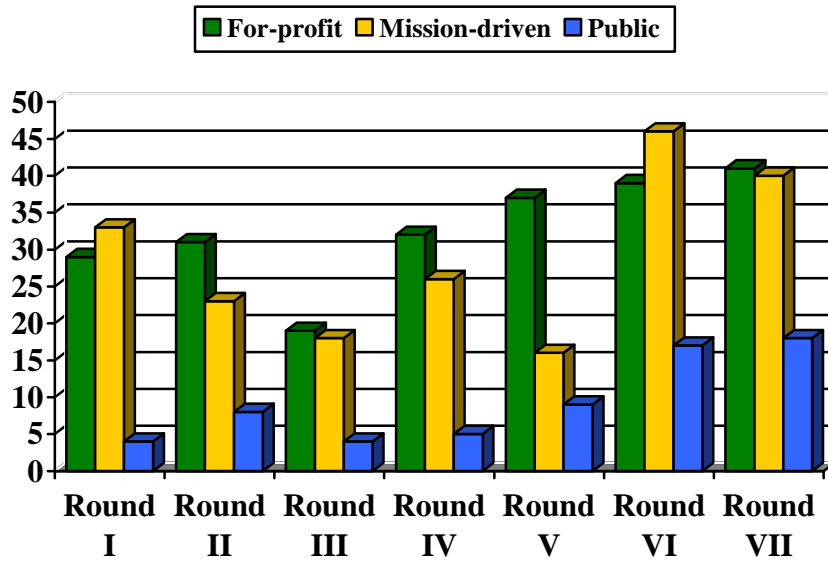
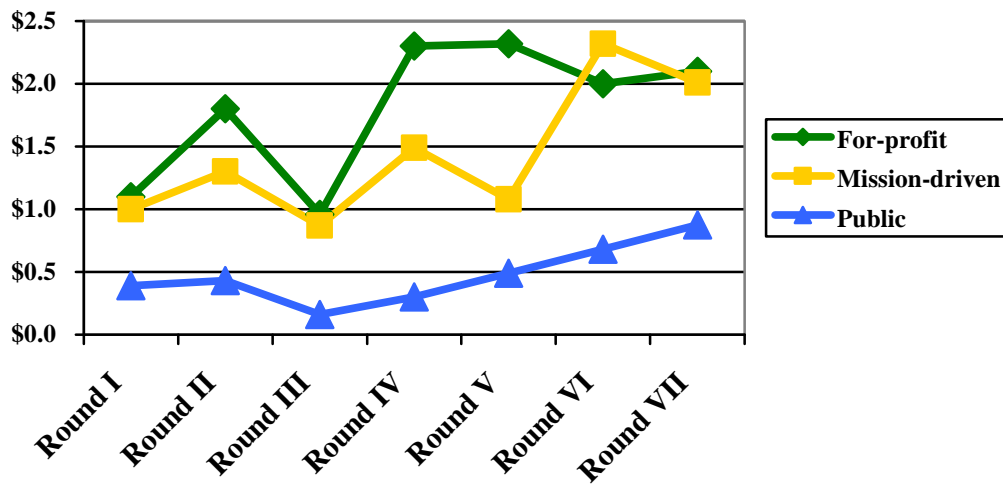


Chart 10 – NMTC Rounds I-VII
Amount of Allocations by Round, Type of CDE Parent (in \$ billions)



Characteristics of New Allocatees

In Round VII 24 CDEs received their first NMTC allocation. In total, they received awards of \$858 million. Eight new allocatees are government entities and received a total of \$295 million, 10 for-profit CDEs received a total of \$310 million and 6 mission-driven CDEs received awards totaling \$223 million.

In terms of service area, the vast majority or 14 of the new allocatees will focus investment

activities in a local service area, another 4 will serve a statewide area, 4 will serve a multistate area and 2 have a national service area.

Seven of the new allocatees will invest \$140.61 million in rural areas, and six out of the seven will dedicate more than 20% of their allocations to activities in rural areas.

Just three of the new allocatees will focus on business financing while 21 of the new CDEs will target Real Estate transactions – 3 in community facilities, one in for-sale housing and the rest will focus on mixed-use.

Conclusion

In February, Congress enacted the American Recovery and Reinvestment Act (ARRA). This economic stimulus legislation provided \$3 billion in additional credit authority for the New Markets Tax Credit. This authority, when combined with existing law, provided the CDFI Fund with a total of \$5 billion in credit authority for both 2008 and 2009. As a result, some 200 CDEs have received allocation awards over Round 6 and 7. Prior to this, the average number of allocatees in a given year was 59.

The higher credit authority has had the following results:

- an increase in Credit activity to small business lending to over 40%
- greater participation by public bodies;
- \$2 billion in investments in small towns and farming communities;
- Increased participation by mission driven organizations; and
- Higher percentage of first time allocatees – 24% of total.

There were 24 new allocatees this year including 8 government entities: 2 located in Washington State, 2 in Puerto Rico and one each in Louisiana, Indiana, Tennessee, and the District of Columbia.

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