

## New Markets Tax Credit

**The New Markets Tax Credit (“NMTC”) Program**, which is administered by the US Department of Treasury’s CDFI Fund, attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (“CDEs”). The credit totals 39 percent of the original investment amount and is claimed over a period of seven years. CDEs allocate the tax credits to specific projects, which can be real estate (non-residential) or operating businesses, located in low-income communities. These capital investments allow CDEs to make loans and equity investments to projects that have better rates and terms and more flexible features than traditional banks. The selling of the tax credits create subsidy for the projects, which after fees, is a net benefit of 20% of the NMTC allocation amount.

Communities benefit from the jobs associated with these investments, as well as greater access to public facilities, goods, and services such as manufacturing, food, retail, housing, health, technology, energy, education, and childcare. In the 14 award rounds, the CDFI Fund has made 1,105 allocation awards totaling \$54 billion in tax credit authority, including \$3 billion in Recovery Act awards and \$1 billion that was specifically set aside for recovery and redevelopment in the wake of Hurricane Katrina. Since 2001, NMTCs have generated more than \$44 billion in investments in low-income communities and businesses, resulting in the creation or retention of more than 500,000 jobs, and the construction or rehabilitation of more than 191 million square feet of commercial real estate.

### Example NMTC Structure

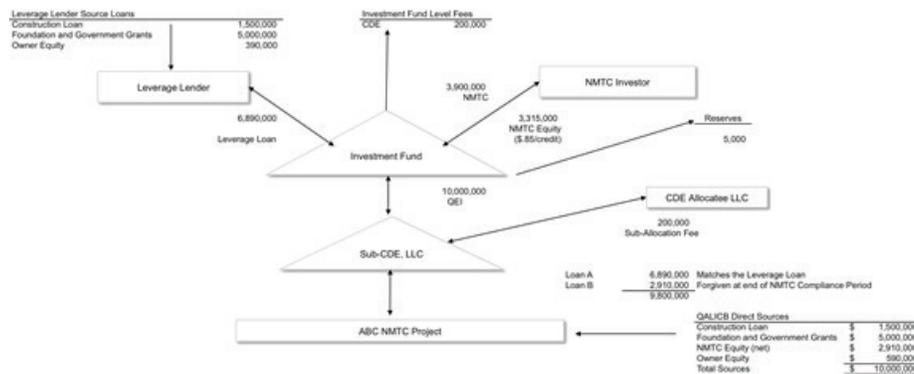
- An Investor buys the 39% tax credits for \$.85 per dollar and makes an equity contribution to the project for that amount.
- Need a private source of funds to “leverage” the tax credit and provide the other sources of funds.
- Together the Leverage lender & the Tax Credit equity flow to the project by way of the CDE.

New Markets Tax Credit

#### Contact:

Tabitha Atkins  
tatkins@crossstpartners.com  
443.577.4386

## Example NMTC Structure



Cross Street recognizes that in order to deliver neighborhood transformation, projects often require creative finance solutions in order to overcome the challenges associated with building rehabilitation and emerging markets. As part of its Financial Advisory Department, Cross Street provides consulting services to 3rd party clients, such as nonprofits and mission-oriented developers, in a wide variety of areas (including NMTC, historic tax credits (HTC), and public-private finance such as tax increment financing (TIF)), bringing an owner's perspective to consultancy work.

In an effort to assist clients with securing sufficient public subsidy for their projects, Cross Street Partners will lead the efforts for identifying and obtaining binding commitments for NMTCs allocations, identifying and managing 3rd-party legal and accounting service providers, and structuring and managing the closing process for the allocations. This will include:

- Creating and periodically updating marketing materials for CDEs and tax credit investors, including a brief flier, larger finance package and community benefits summary;
- Marketing the project to prospective CDEs and tax credit investors by circulating the flier and finance package, contacting and meeting with CDEs and NMTC investors, attending conferences and events, and the like;
- Completing "Intake Forms" as required by CDEs interested in the transaction;
- Soliciting term sheets from investors and CDEs and assist with term sheet negotiations;
- Recommending the 3rd parties required for a NMTC closing, including a CPA and tax credit counsel;
- Working with the project counsel to structure the NMTC transaction; and
- On behalf of client, overseeing the NMTC closing.

