



**Broward Alliance
2009 Development Conference**

James Carras, Carras Community Investment, Inc.

New Markets Tax Credits

...an investment catalyst tool.

C a r r a s C o m m u n i t y I n v e s t m e n t

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Overview of NMTC

- **Creation:** Community Renewal Tax Relief Act (December 2000)
- **Administration:** Community Development Financial Institutions (CDFI) Fund (U.S. Department of the Treasury).
- **Purpose:** Facilitate the attraction of private investment in low-income communities
- **Mechanism:** federal tax credits with respect to \$25 billion in qualified investments made from 2001 to 2009.
- *An additional \$3 billion in allocation authority was added by the Federal Stimulus bill for 2008 and 2009 (allocation decisions due in Fall)*

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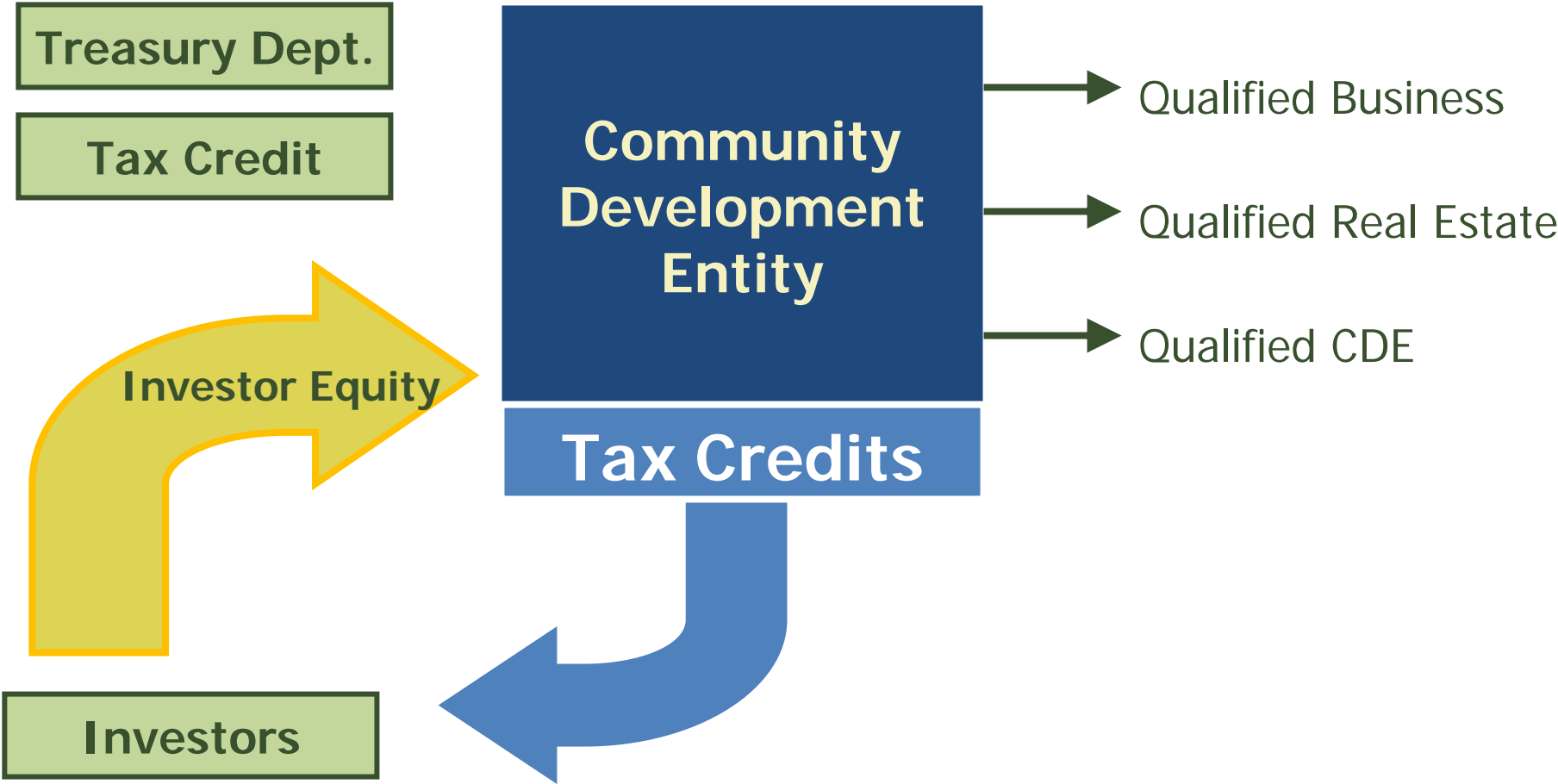
New Markets Tax Credits

- The NMTC is equal to 39% of qualified investments and is claimed over a seven year period starting on the date when the investment is made.
- Investors may claim NMTCs equal to 5% of their investment in years one to three and 6% of their investment in years four to seven.
- The NMTC has a present value of about 30%.

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Overview of NMTC



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Overview of NMTC

- **Community Development Entity (CDE)**
 - Corporation or partnership with a primary **mission** of serving LICs or low-income persons and **accountability** to the residents of LICs they serve
 - Must be certified by CDFI Fund
 - Only CDEs may receive a NMTC allocation
- **Quality Equity Investment (QEI)**
 - Cash investment (in form of stock or capital interest) in CDE
 - “Substantially all” of equity must be a QLICI
 - Investor receive a 39% tax credit on capital invested in CDE over 7 years

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Overview of NMTC

- **Low-Income Community**

- Poverty rate exceeds **20%** or
- Median income is below **80%** of statewide or metro median

- **Qualified Low-Income Community Investment**

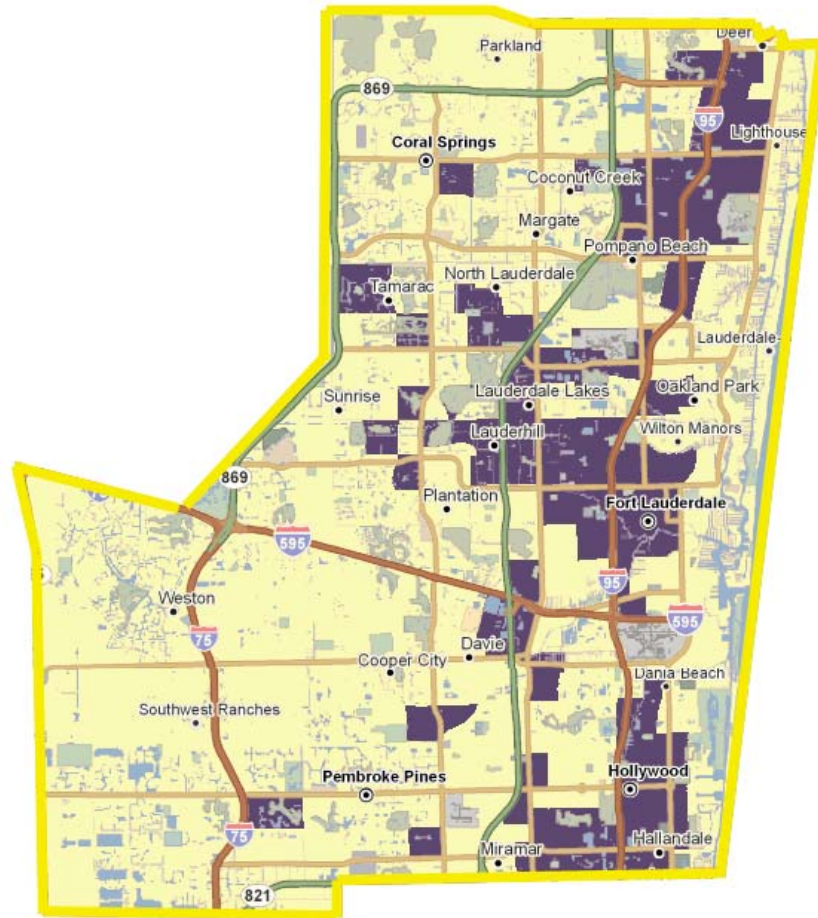
- Capital, equity, loan to QLICB
- Purchase of loans from other CDEs
- Financial counseling (development services)
- Equity investment in, or loan to, any CDE



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Eligible Census Tracts - Broward



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Eligible NMTC Activities

- Office
- Retail
- Industrial
- Mixed-use real estate and business, supermarkets, hotels, including housing (rental capped at 80%)
- Community facilities: charter schools, job training centers, childcare, and healthcare

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NMTC Benefit – Business Project

- Up–front funds
- Reduced cost of funds, i.e. below–market interest rates
- Interest only, seven–years
- Longer amortization period
- Helps leverage other funds both public and private

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Riverbend Corporate Park is the impetus for a half a billion dollar transit-oriented development at the interchange of Broward Boulevard and 1-95. The initial development will provide 67,000 square feet of Class A office space and create over 300 permanent jobs in a highly economically distressed community in Fort Lauderdale.



Riverbend Corporate Park
Fort Lauderdale, Florida

NMTC investment: \$15.6 million



Park Village provides the Congress Heights community with a major engine for economic revitalization and renewal. The new development includes over 150,000 square feet of needed commercial space, including a Super Giant – the first supermarket to open in Congress Heights over the past decade. Over 325 permanent and 175 construction jobs were created.



Park Village Shopping Center
Washington, DC

NMTC investment: \$18.5 million

Accessing NMTCs

- **Step 1:** Apply for CDE certification



- **Step 2:** Submit competitive NMTC application
(highly competitive: 249 applications for \$22.5 billion and “only” \$5 billion available.)



- **Step 3:** Offer NMTCs to investors for cash

- **Step 4:** Make QLICs

Accessing NMTCs

- **Determine project location**
 - Must be within a qualifying census tract
 - Preference to highly economically distressed communities
- **Identify community impacts (second and third bottom lines)**
 - Create jobs
 - Increase wages
 - Assist M/WBE
 - Facilitate wealth creation
 - Provide goods and services
- **Identify financing need**
 - Develop proforma
 - Determine gaps and identify/secure other public sources
 - Determine NMTC request

New State of Florida Complimentary Program

- Florida New Markets Development Program (NMDP) created in 2009
- State tax credits may be used to offset corporate income, insurance premium or retaliatory tax liabilities.
- \$97.5 million in tax credits between 2009 and 2022: no more than \$20 million claimed in each state fiscal year. After seven years: totals 39 percent of the original investment.
- Tax credit may be carried forward for future taxable years; all tax credits expire December 31, 2022.
- Allocated on a first come, first served basis and capped at \$10 million per development.
- Administered by: Florida Office of Tourism, Trade and Economic Development, in consultation with Enterprise Florida Inc.

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Broward New Markets, LLC

- ◆ Certified Community Development Entity
- ◆ Target market: Broward County especially Community Redevelopment Areas, particularly Lauderhill and SR441 projects
- ◆ Current application – decision Fall 2009
- ◆ For more information contact: James Carras, 954.415.2022; carras@bellsouth.net

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