

CENTRAL VALLEY
NMTC LLC



What are New Markets Tax Credits?

- > First federal tax credit program to stimulate commercial investment in “low-income communities”
- > The program is administered by the US Treasury Department through a division called the CDFI Fund, in a unique “public/private partnership” with Community Development Entities (CDEs)
- > Central Valley NMTC Fund, LLC is an authorized CDE (www.cvnmtc.com)

What is a “Community Development Entity”?

- > CDEs come in a variety of forms:
 - An affiliate of a municipality to promote economic development
 - An affiliate of a bank to help meet the bank’s community reinvestment goal
 - Non-profit and for-profit entities with a mission to serve low-income communities

- > CDEs have defined geographic service areas and are charged with evaluating each potential NMTC transaction for community impact

- > CDEs can be found using a search engine on the CDFI Fund website at www.cdfifund.gov

Overview

- > CDEs have a primary mission of providing investment capital for low-income communities and are accountable to the residents of that community through a governing or advisory board
- > Delegated authority by US Treasury to sell NMTCs to fund Qualified Low-Income Community Investments (QLICs)
- > CDEs earn fees from obtaining and deploying the NMTC allocation
- > Bank participate for economic returns and to earn Community Reinvestment Act (CRA) credit

What is a “low-income community”?

- > Based on census tract data – median income, poverty rate, and unemployment
- > Qualifying vs. “Higher Distress”
 - Includes rural areas, brownfield areas, designated Hot Zones, medically underserved areas, food deserts, Colonias, and HUB Zones
- > Qualifying census tracts in non-metropolitan counties automatically qualify as “higher distress”
- > Qualifying census tracts can be located using a mapping tool on the CDFI Fund website at www.cdfifund.gov

Common Types of NMTC Investments

- > Real Estate Development
 - New Construction
 - Acquisition with rehabilitation
- > Non Profit Community Facilities
- > Operating Businesses
- > Please see: “The NMTC at Work in Communities Across America” at www.nmtccoalition.org for examples of projects funded with NMTCs.

How does the program work?

- > Through a competitive application process, CDEs are annually delegated authority from the CDFI Fund to sell federal tax credits to third party investors, where the proceeds are used to fund investments (typically structured as low interest rate, forgivable loans) in qualifying businesses or commercial real estate developments.
- > CDEs will search for qualifying businesses and real estate developments that have tangible community impact to provide NMTC-subsidized financing, which is also a competitive process.

Benefit to recipient

- > Capital to fund projects, business expansion or debt refinancing
 - Tax credits are monetized to fund 20-25% of the capital stack
- > Low cost of capital and “permanent equity”

Community benefit

- > Create additional economic development for the local community
- > Attract and retain skilled workforce
- > Bring new goods or services to underserved communities
- > Capital investment to underserved, qualified Low-Income Communities (LIC)
- > Catalytic impact

Ineligible activities

> Residential rental property

- Mixed use is permitted so long as more than 20% of the rental income is derived from commercial tenants

> Straight acquisition or refinance of rental property – must have “substantial rehab” or be owner occupied

> Certain businesses or tenants:

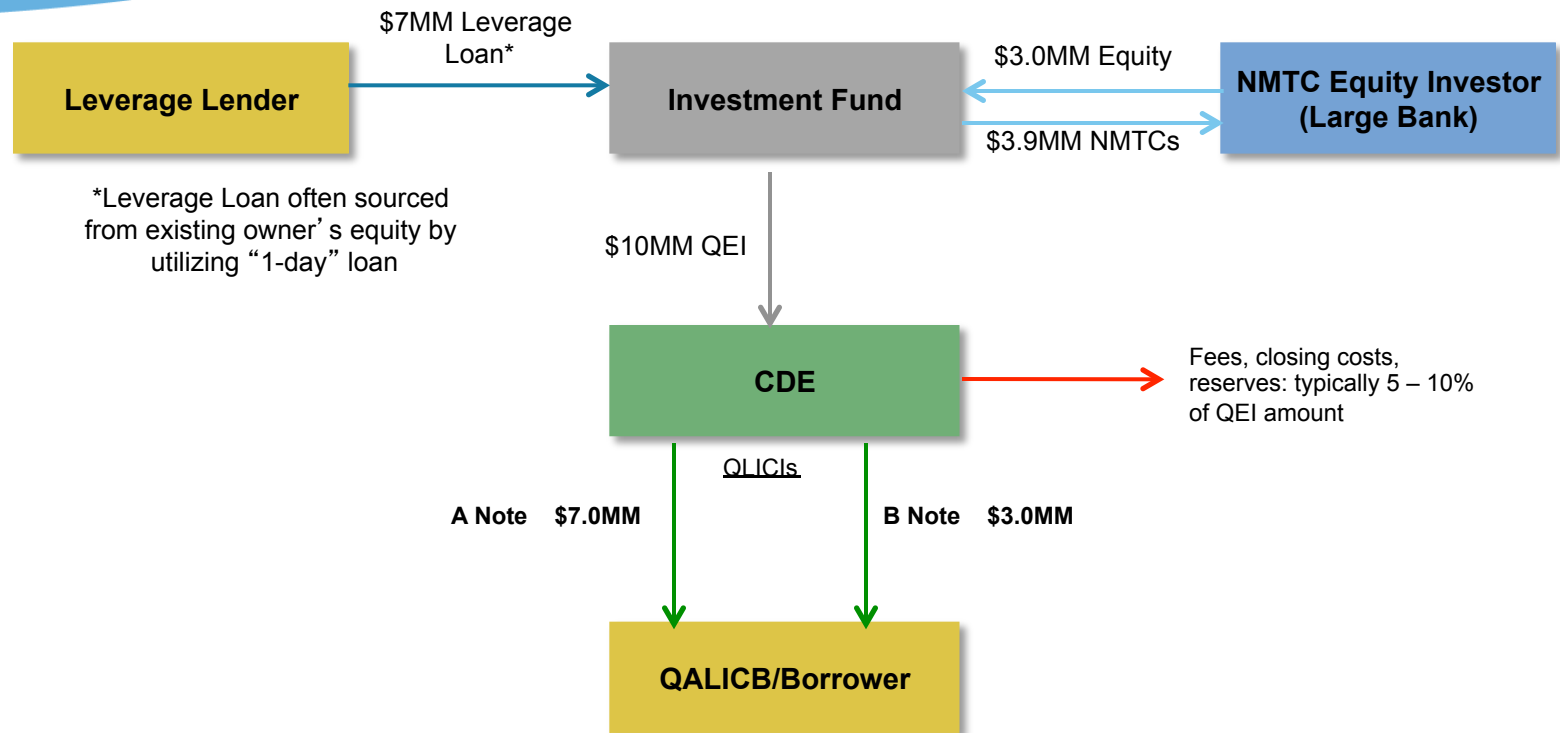
- Race tracks and gambling facilities
- Golf courses & country clubs
- Liquor stores
- Farming
- Massage and tanning businesses
- Undeveloped land holding

NMTC Case Study: \$10MM Project

- > \$10MM Total Project Cost – building a new facility or purchasing new equipment
- > Meets all the NMTC requirements making it eligible for NMTC financing
 - low income community
 - strong community impacts

Project Sources		Project Uses	
Sponsor affiliate capital	\$2,500,000	Site Acquisition	\$3,100,000
Loans or Grants	\$4,500,000	Hard Constr. Costs	\$5,200,000
		Soft Costs	\$1,200,000
Total:	\$7,000,000	Financing Costs:	\$500,000
GAP:	\$3,000,000	Total:	\$10,000,000

NMTC Case Study: \$10MM Project



CDE = Community Development Entity
QEI = Qualified Equity Investment
QLICI = Qualified Low Income Community Investment
QALICB = Qualified Active Low Income Community Business

NMTC Put/Call Agreement

- > The investor “puts” their interest in the sub-CDE to the borrower within six months of the end of the seven year NMTC compliance period for a small fee (\$1,000).
- > Upon payment of the fee, the borrower becomes both holder and maker of the B loan note (representing the amount of the NMTC funds).

Pending renewal

- > Program authorized through 2019 round, recently awarded \$3.5 billion of Allocation to 75 CDEs
- > Desire for permanent renewal, popular with both parties

Availability

- > Allocation is scarce!
- > Some opportunity in non-metro counties
- > Advise getting in front of CDEs now, in anticipation of the 2018 award announcements

Central Valley NMTC Fund, LLC



- Central Valley NMTC, LLC was created in 2010 to provide developmental and gap financing for high-community impact projects located within the Central Valley.
- Service area currently includes Fresno, Madera, Kings Merced, Tulare, Kern, San Joaquin and Stanislaus counties.
- Since 2011, Central Valley NMTC has received three NMTC allocations totaling \$120 million.
- Targeted areas of investment include health care, educational & community facilities that deliver a wide array of community benefit.
- Contact: TJ Cox (559) 273-6466 / tjcox@cvnmtc.com

Central Valley NMTC Fund, LLC

Examples of NMTC Projects Financed

Fresno Rescue Mission – Rescue the Children Campus

- \$7 million NMTC allocation that provided final piece of capital stack for the Mission's Rescue the Children Project – a women & children's homeless campus. Uses of the capital included \$1M of working capital for operations and to increase annual fundraising.



United Health Centers of the San Joaquin Valley - Parlier & Mendota

- \$9.5 million NMTC allocation for a two Federally Qualified Health Centers. Capital provided funds to complete construction and purchase necessary FF&E.



West Hills Community College Multi Use Student Complex – Lemoore

- \$10.5 million NMTC allocation that provided funds for FF&E for a new sports and student activities complex and for West Hills' Lemoore campus.



First Five Fresno, Lighthouse for Children - Fresno

- \$8 million NMTC allocation that provided ½ of total \$16M allocation for F5F's new downtown headquarters, preschool and family resource center

