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The New Markets Tax Credit Program

Capital Impact Partners Policy Brief

The New Markets Tax Credit Program is a proven tool for helping community development financial institutions such as Capital Impact Partners **attract private sector capital to communities where new investment is needed most.**

The New Markets Tax Credit Program:

Bringing high-impact investment to low-income communities



One of the persistent economic challenges our nation's low-income communities face is the lack of access to private investment capital for small businesses and community development real estate projects.

This lack of capital means that there is a lack of opportunity in these communities. It means that there are fewer local businesses and local jobs. It means that household incomes are lower and unemployment and poverty rates are higher.

The New Markets Tax Credit Program (NMTC Program) was established to generate new investment—and new opportunity—in low-income communities. Over the past decade and a half, the program has had a tremendous impact, developing critical real estate projects and community facilities, creating new businesses and jobs, reviving local economies, and expanding the tax base of local governments.

The purpose of the NMTC Program is to attract private investment into low-income communities.

Designed to attract private capital

The NMTC Program was enacted in 2000 as part of the bipartisan Community Renewal Tax Relief Act. The program is administered by the Community Development Financial Institutions Fund (CDFI Fund), an agency within the U.S. Department of the Treasury that is dedicated to increasing economic opportunity in distressed communities throughout the United States.

The purpose of the NMTC Program is to attract private investment capital to low-income communities by giving individual and corporate investors a federal tax credit in exchange for making equity investments in Community Development Entities (CDEs)—financial intermediaries that specialize in providing loans, investments, and financial counseling to low-income communities.

To be eligible to participate in the NMTC Program a CDE must be certified by the CDFI Fund.

Effective Public-Private Partnerships:

An innovative model for community development

How the NMTC Program works

The CDFI Fund makes NMTC awards to certified CDEs through a competitive application process. Here's how the program works:

- 1 A CDE submits an application to the CDFI Fund requesting the authority to allocate a specific dollar amount of tax credits.
- 2 If its application is approved, the CDE is awarded the authority to allocate tax credits to an investor.
- 3 The investor chosen by the CDE receives a tax credit totaling 39 percent of the cost of the investment. The investor can claim that tax credit over a period of seven years.
- 4 In exchange for those tax credits, the investor makes a Qualified Equity Investment (QEI) in the CDE.
- 5 The CDE must use the QEIs it receives from the investor to finance businesses or real estate projects in low-income communities where the poverty rate is 20% or higher, or the median income is 80% or lower of the area median income. The CDE also has the option of investing in other CDEs making loans in low-income areas.



Impact of New Markets Tax Credit Investments:

A track record of proven results

A tangible impact

According to the CDFI Fund, for every \$1 invested by the federal government, the NMTC Program generates more than \$8 in private investment. The New Markets Tax Credit Coalition estimates that since inception through 2024, the program has created or retained over 1.25 million jobs at a federal cost of less than \$20k per job in both rural and urban areas.

NMTC allocations totaling \$76 billion have delivered over \$143 billion in financing to 8,900+ projects. This includes the construction of 76.9 million square feet of manufacturing space, 118.3 million square feet of office space, and 77.1 million square feet of retail space. As these communities develop, they can also become more attractive to investors, catalyzing a ripple effect that spurs further investments and economic development.

The NMTC Program financed over 3,900 project including manufacturing, food, retail, housing, health, technology, energy, education, and childcare. Communities benefit from the jobs associated with these investments, as well as greater access to community facilities and commercial goods and services from small businesses.

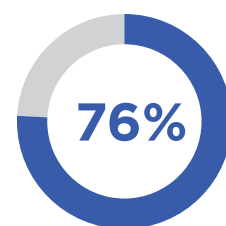
An efficient use of federal resources

In addition to generating new economic activity in low-income communities, the NMTC Program generates new tax revenue. Over the life of the program, projects created by the NMTC program have generated billions of dollars in federal, state, and local tax revenue, more than covering the cost of the program as measured in terms foregone federal tax revenue.

Building Strong and Vibrant Communities

8:1

private investment dollars leveraged for every federal dollar



NMTC projects located in census-designated highly distressed areas.

272,000,000



sq. ft of office, retail, & manufacturing spaces in low-income communities

3,900 projects built,

including health clinics, schools, healthy food retailers, affordable housing, and mixed-used facilities



created or retained over

1.25 MILLION

jobs at a federal cost of less than \$20k per job in both rural and urban areas.

Inception through 2021

Capital Impact Partners:

A leader in New Markets Tax Credit financing

Generating impact nationwide

Capital Impact Partners, part of the Momentum Capital branded family of organizations, has headquarters in Arlington, Virginia, and San Diego, California. It operates nationally with a focus on larger areas and cities in Arizona, California, Georgia, Michigan, Nevada, New York, Texas, and the Washington D.C. metro area.

Its mission is to provide people and communities access to the capital and opportunities they deserve by offering a continuum of financial, knowledge, and social capital to help entrepreneurs, community-based organizations, and local leaders at every growth stage to build strong communities and create generational wealth.

This includes a comprehensive package of loan products, impact investment opportunities, training and business advising programs, and technology solutions that advance locally-led solutions.

Through 2024, Capital Impact Partners is a 12-time NMTC recipient – with awards totaling \$792 million. With these awards Capital Impact has financed 94 transactions nationally to support a variety of health care, housing, independent aging, healthy foods, and education projects in communities with a need for new investment capital.

Capital Impact's NMTC Success:

500,000

patients given access to health care

9,000

charter school seats created

400

affordable housing units built

600,000

people given access to healthy food



NMTC Financing in Action:

Success Stories from Capital Impact Partners

Union Mill

Baltimore, Maryland



Built in 1866, Union Mill was once Maryland's largest stone mill and the world's leading producer of cotton duck, a tightly woven canvas used for boat sails, ropes, and work clothing. A variety of manufacturers occupied the factory over the years, but by the time the last one moved out in 2007, the once-grand Italianate structure had suffered years of neglect.

But Union Mill began a new life a few years later, when the Seawall Development Company—with support from an NMTC investment from Capital Impact Partners—transformed the aging, abandoned property into an innovative mixed-use development complex that is dedicated to truly making a difference in the community.

The new Union Mill utilizes the latest design features and provides 56 modern, below-market-rate apartments—all of them reserved for teachers who work in the city's public and private schools, including some who work in the Teach for America program. It also provides more than 25,000 square feet of office space for local nonprofits, such as the Maryland Association of Nonprofit Organizations and the Maryland Disability Law Center.

Total project cost

\$23.5 MILLION

NMTC financing provided by Capital Impact Partners

\$10.5 MILLION

The Rev. Dr. Morris L. Shearin Sr. Community Life Center

Washington, D.C.



Capital Impact Partners' NMTC investment helped support the creation of the Rev. Dr. Morris L. Shearin Sr. Community Life Center, a new community facility in northeast Washington that includes a 29,000-square-foot community health center and a 13,000-square-foot multipurpose community facilities space offering an array of critical social services programs.

The center was sponsored by Israel Manor Inc., a nonprofit, faith-based organization established in 1996 by Israel Baptist Church to enable much-needed development projects and programs in its underserved community. The Center's community health center is operated by Unity Health Care, the largest private provider of primary medical care to the District of Columbia's homeless and low-income population, and is expected to increase patient visits in the community by at least 9,000 each year.

Since opening in June 2015, the new center has offered residents of the community easy access to childcare services, after-school and summer camp programs, adult literacy and GED programs, and senior exercise and wellness programs. The center has already generated 85 full-time jobs, as well as more than 30 new and 350 continuing construction jobs.

Total project cost

\$15.8 MILLION

NMTC financing provided by Capital Impact Partners

\$9.2 MILLION



NMTC Financing in Action:

Success Stories from Capital Impact Partners

Northgate González Market

Los Angeles, California



Northgate González Markets is a family-owned chain of supermarkets located in Los Angeles and San Diego. Northgate focuses on providing high-quality produce, meats, and specialty services.

Capital Impact Partners has provided NMTC financing to support the development of three new full-service González supermarkets. The most recent investment helped create a market in a South Los Angeles community that was classified by the U.S. Department of Agriculture as having limited access to stores that sell affordable, nutritious food.

The new store is not only bringing healthy food within reach of the people in its community but also employs 100 full- and part-time employees and prioritizes the hiring of local residents. It also offers employees a variety of valuable benefits, including competitive wages, paid time off for vacation and sickness, health care and disability benefits, an employer-sponsored 401(k) plan, and tuition reimbursement.

Henry Ford Academy: Elementary School

Detroit, Michigan



The Henry Ford Academy: Elementary School is a tuition-free charter school developed by the Henry Ford Learning Institute, a nonprofit organization launched in 2003 by The Henry Ford and Ford Motor Company Fund to create innovative small schools and hands-on learning programs. The Institute and its partners served more than 2,250 middle and high school students at four Henry Ford Academies in Detroit, Chicago, San Antonio, and Dearborn, Michigan.

The Henry Ford Academy: Elementary School's educational philosophy is based on a nationally recognized model first implemented at the Henry Ford Academy in Dearborn, which focuses on preparing students to succeed in college and career. The goal of the elementary school is to ensure that, by graduation, all students have developed a love of learning, a solid foundation in core subjects, and specific skills and strategies for problem solving.

Capital Impact Partners' investment in the Henry Ford Academy Elementary School transformed a vacant historic Detroit public school building into a 58,000-square-foot facility serving 380 students in grades K-5. With its small classes and low student/teacher ratio, the school offers its students outstanding opportunities to develop the skills they will need to succeed.

Total project cost

\$8 MILLION

NMTC financing provided by Capital Impact Partners

\$8 MILLION

Total project cost

\$11 MILLION

NMTC financing provided by Capital Impact Partners

\$11 MILLION



NMTC Financing in Action:

Success Stories from Capital Impact Partners

Neighborcare Health at Meridian Seattle, Washington



Since its founding more than 40 years ago, Neighborcare Health has become Seattle's largest provider of health care for low-income and uninsured residents. The organization is a Federally Qualified Health Center that operates 24 sites throughout the city and each year serves 52,000 patients—66 percent of whom live at or below the federal poverty level.

Thanks in part to NMTC financing from Capital Impact Partners, Neighborcare Health created an innovative new center that is dramatically expanding opportunities for care in Seattle's north end, home to the city's largest low-income population with limited access to primary care.

The new 44,000-square-foot Neighborcare Health at Meridian provides an array of services—including primary medical and dental care, specialty mental health and recovery services, and nutritional programs and support services for mothers and children—under one roof. The facility serves 14,000 patients annually—double the number that Neighborcare Health served at its prior facility in the north end.

Equitas Academy Charter Schools Los Angeles, California



Equitas Academy Charter Schools are free public schools created to serve the Pico Union neighborhood of Los Angeles. Founded in 2009, Equitas Academy is guided by a powerful mission: to provide a structured, achievement-based environment to prepare students—beginning in kindergarten—for college.

In 2013, Equitas Academy opened a middle school that now serves 220 students in grades 5-6. The middle school was established in a temporary facility that the organization soon outgrew. A NMTC financing package from Capital Impact Partners enabled the organization to acquire a 23,574-square-foot commercial property in the community and redevelop it as a permanent home for the middle school. The new facility is expected to serve 350 students in grades 5-8.

Although new, Equitas Academy has already achieved recognition for academic excellence. Its elementary school was named a California Distinguished School by the California Department of Education in the 2013-2014 school year.

Total project cost

\$26 MILLION

NMTC financing provided by Capital Impact Partners

\$4.9 MILLION

Total project cost

\$8.2 MILLION

NMTC financing provided by Capital Impact Partners

\$8.2 MILLION



NMTC Financing in Action:

Success Stories from Capital Impact Partners

The Argonaut Building

Detroit, Michigan



Designed by the famous Detroit architect Albert Kahn, the Argonaut Building was constructed in 1928 and served as General Motors' automotive design center for decades. In 2007, GM donated the building, which had been vacant since 1999, to the College for Creative Studies, a leading institution for art and design education.

The renovation of the 11-story, 760,000-square-foot Argonaut Building has been one of the most important downtown redevelopment projects in Detroit's New Center. Rechristened in 2009 as the A. Alfred Taubman Center for Design Education, the building now houses several of the College for Creative Studies' undergraduate departments, as well as its graduate programs in design and transportation design, and is establishing the school as a vital part of the city's new creative economy.

The Taubman Center also is home to a creative business accelerator, a 400-seat auditorium available for public use, a 360-seat dining hall, 300 beds of student housing for the college, and a charter school with a full gymnasium and cafeteria.

Washington County Green House®

Akron, Colorado



Capital Impact Partners has used NMTC Program financing to help create the first two long-term care facilities in Colorado that utilize the innovative Green House model. The most recent of these facilities is the county-owned, not-for-profit Washington County Nursing Home, in Akron, Colorado.

The Green House model derives from the vision of Dr. Bill Thomas, an elder-care pioneer who is committed to transforming America's approach to caring for its aging population. Dr. Thomas's Green House model re-envisioned almost every component of the traditional nursing home, from the philosophy of care to the design of the facility to the structure of the organization.

The new Washington County Nursing Home replaces an outdated traditional skilled nursing facility in Colorado's rural northeast region. The \$10.7 million NMTC Program investment financed the construction of four separate homes, each housing 10 residents, that provide 24-hour nursing care and a wide range of other high-quality, personalized services. Approximately 60 percent of the beds are reserved for low-income residents covered by Medicaid.

Total project cost

\$150 MILLION

NMTC financing provided by Capital Impact Partners

\$15 MILLION

Total project cost

\$10.7 MILLION

NMTC financing provided by Capital Impact Partners

\$5.5 MILLION



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Providing People with the Capital and Opportunities They Deserve

Small business owners, developers, and other local leaders are the engines of job creation and economic activity in communities across the country. When they succeed, their communities, local residents, and our country thrive. The current financial system, however, does not provide everyone with the opportunities they deserve. As a result, they are unable to fully contribute to their communities and our shared economy.



Momentum Capital Was Created to Meet This Challenge

Providing a Continuum of Solutions

Momentum Capital - a branded family of organizations - brings together leading organizations rooted in social mission to provide a continuum of financial, social, and knowledge capital at every growth stage to support economic mobility and wealth creation.

Small Business Lending

Long-term SBA loans with low down payments and competitive rates for small businesses, designed for working capital and commercial real estate financing. We also provide SBA-alternative options for those who don't meet traditional lending criteria.

Impact Investing

Non-dilutive investments in growth-stage enterprises and small businesses with a community focus. Through a diverse set of investment instruments, our goal is to increase access to health care and healthy food, and create jobs and generational wealth.

Community Development Lending

Flexible and affordable financing for community pillars including health centers, education facilities, food retailers, affordable housing, and cooperatives.

Business Advising & Capacity Building

Training, business advising, and access to professional networks and mentors to jumpstart careers and help entrepreneurs launch small businesses.

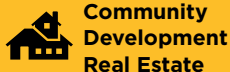
Community-Focused Investment Bank Services

Momentum Securities, an SEC-registered broker-dealer, MSRB-registered, and a FINRA/SIPC member, offers a range of services across markets and investment banking and helps drive institutional capital to small businesses and nonprofits. The range of investment banking options includes: advisory services, capital markets services, SBA loan trading services, and municipal advisory services.

To learn more about us visit
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Offering a Continuum of Lending, Investment, and Advising Solutions

Across the Momentum Capital branded family of organizations, we offer solutions for entrepreneurs, community-based organizations, & local leaders at every growth stage - from inception to expansion. We can provide you with the capital & opportunities you deserve.



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