



# FORWARD

*community investments*

## FCI New Markets Tax Credits

Program Overview



# New Markets Tax Credits - Program Overview (1 of 2)

- New Markets Tax Credits (NMTCs) were created under the Community Renewal Tax Relief Act of 2000
- Place Based Program – Census Tract Eligibility Requirements
  - Poverty rate of 20% or greater
  - Median Family Income of 80% or less of the area
  - Special consideration given to “severely distressed” communities with poverty rates of 30% or greater and median family income of less than 60% and non-metro areas
- Further Eligibility Info: [www.forwardci.org/new-markets-tax-credits](http://www.forwardci.org/new-markets-tax-credits)
- Credit impact in the state of Wisconsin
  - 367 projects financed
  - 28,000 permanent jobs
  - 7.3MM sqft of real estate renovated or constructed
  - \$4.17B in total capital deployed to low-income communities



## New Markets Tax Credits - Program Overview (2 of 2)

- 7-Year Compliance Period
- Loans are interest-only for 7-year compliance period and cannot be repaid before compliance period is over
- Key Parties in a NMTC Closing:
  - Community Development Entity (Receives NMTC Allocation)
  - NMTC Investor (Large Financial Institution)
  - Borrower/Sponsor (End Beneficiary of Tax Equity)
  - NMTC Consultant (Specialized Financial Consultant)
- Shallow subsidy accounts for 15 - 20% of hard costs in large leveraged projects (\$5MM or >)
- FCI uses NMTC allocation to acquire, construct, and renovate community facilities across Wisconsin
  - Community facilities include Critical Access Hospitals, Boys & Girls Clubs, charter & choice schools, community centers, workforce development training centers, etc.



## New Markets Tax Credits – Securing Allocation

- Projects face a competitive market: ~ \$15B requested for only \$5B in allocation last round
- Borrowers must have capacity to dedicate considerable amount of senior staff time to closing process (typically 6 – 10 weeks)
- What makes a project competitive?
  - All \$ needed for leverage and equity available at close
  - Quantitative Community Outcomes
    - Jobs Information
      - New & Retained
      - Accessible to Difficult to Employ
      - Quality (Pay Living Wage & Benefits)
    - Persons served
      - # Served
      - # Visits or Grades
      - Increase in Services
      - Actionable Business Plan
  - Fully Actionable Construction Plan
    - Project site acquired
    - General Contractor and Architect secured
    - Plan and Cost Review
    - Full building permit available at NMTC closing



## New Markets Tax Credit - Project Example



### Sixteenth Street Community Health Centers (SSCHC) - Mental & Emotional Health Center

- Closed: Fall 2020
  - Total Project Costs: \$6.6MM
  - Key Parties:
    - FCI (CDE)
    - JPMorgan Chase (NMTC Investor)
    - Sixteenth Street Community Health Centers (Sponsor/Borrower)
    - Baker Tilly (NMTC Consultant)
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- Substantial rehab of vacant office building into community focused mental and emotional health care facility
  - Entry point in a low-income community serving low-income persons to wrap around health services
  - Annually serves over 800 unique patients via nearly 5,000 visits
  - Over 80% of patients are low-income individuals



## FCI New Markets Tax Credit Contact

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