

## NMTC Investment in the Fifth District

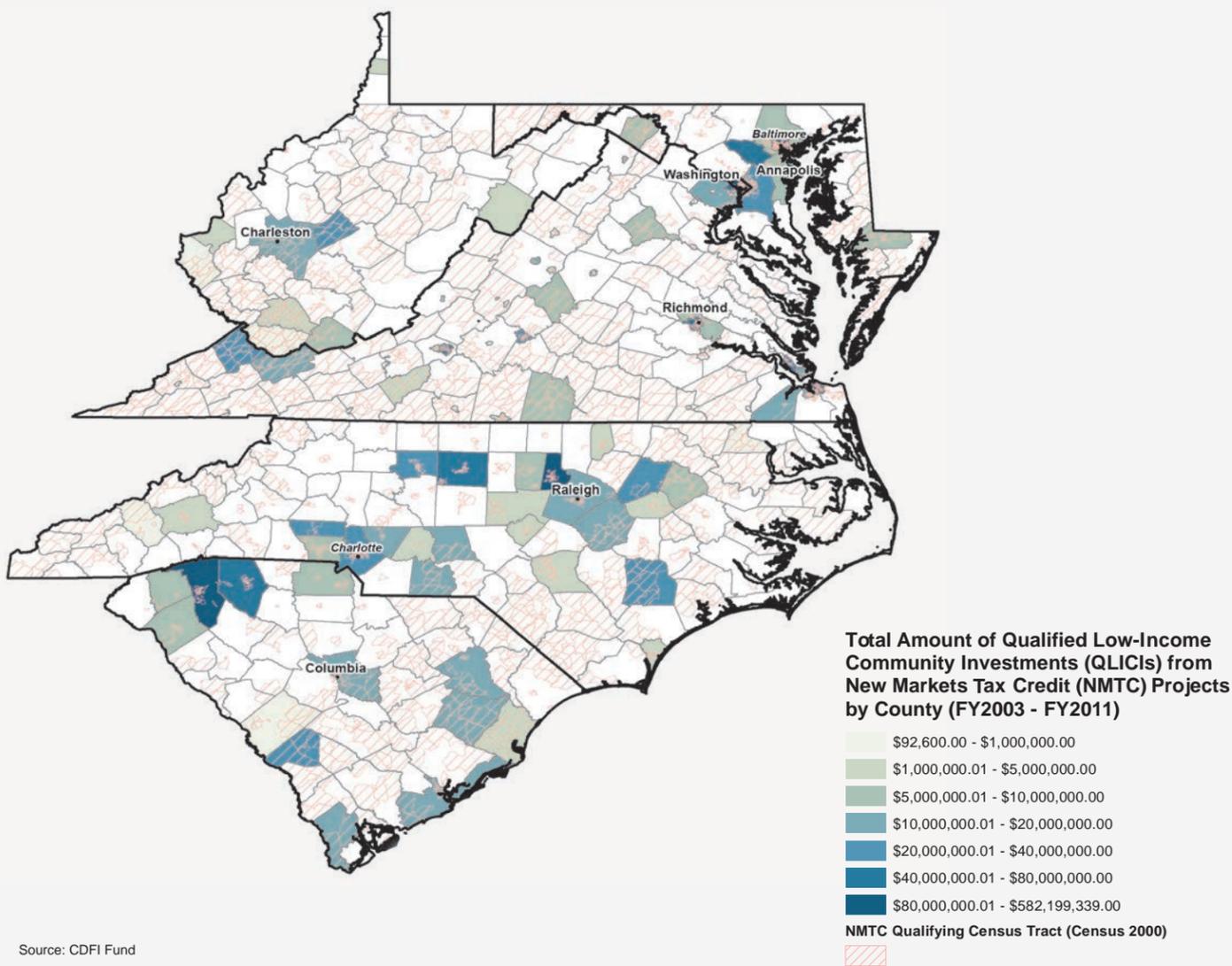
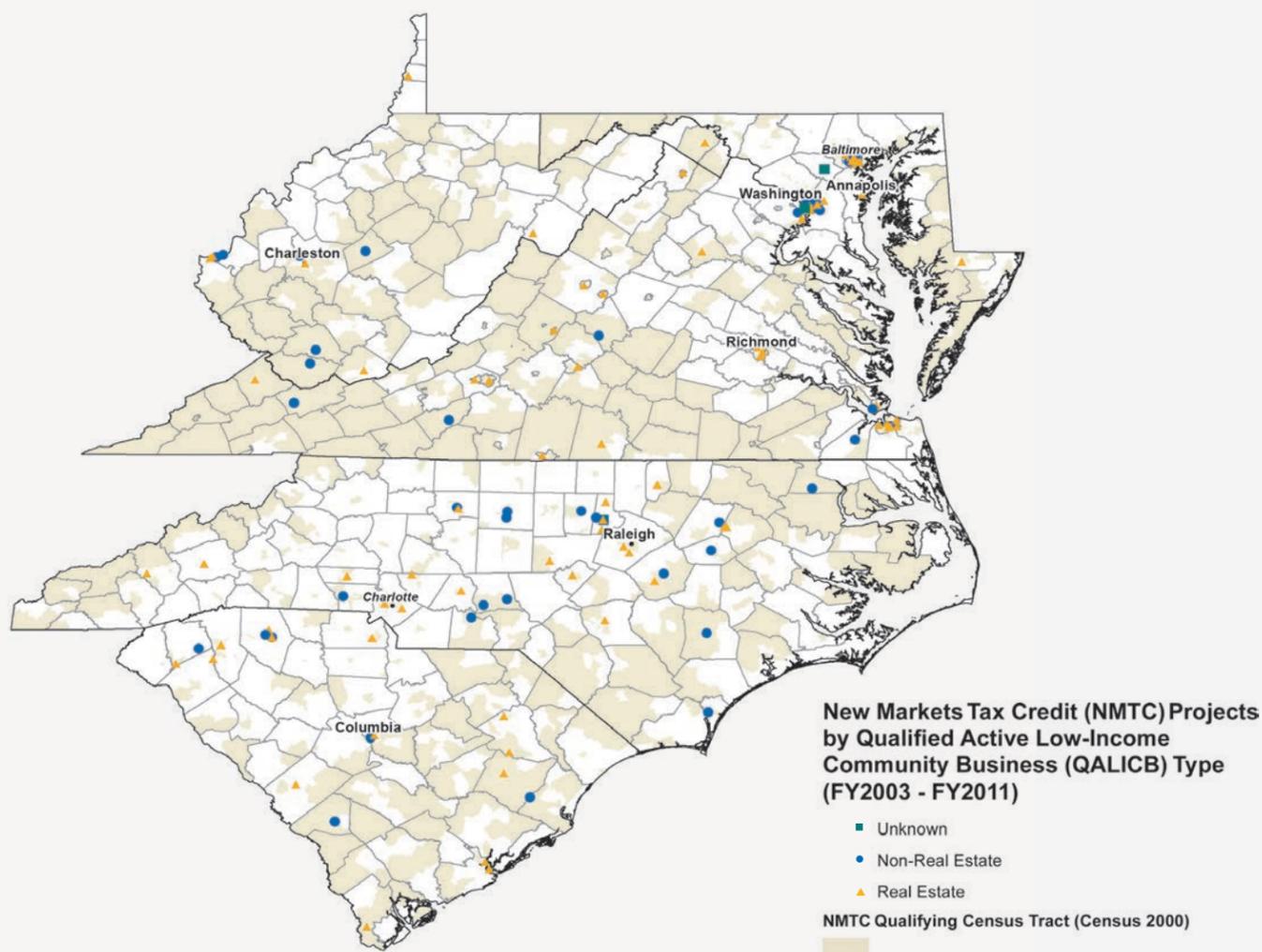
This issue of *5th District Footprint* examines the distribution of the New Markets Tax Credit (NMTC). The Community Development Financial Institutions (CDFI) Fund's NMTC program aims to increase investment in low-income communities by offering federal income tax credits to investors in exchange for equity investments in Community Development Entities (CDEs).<sup>1</sup> The CDEs use the returns from these equity investments to make Qualified Low-Income Community Investments (QLICs). For example, a CDE might issue a loan to a Qualified Active Low-Income Community Business (QALICB) for real estate development activities and/or business operations. Through FY2011, CDEs have disbursed roughly \$26 billion in qualified equity investments (QEI) to 3,499 QALICBs.<sup>2</sup>

Since FY2003, 266 projects in the Fifth District have been funded through NMTCs. North Carolina has the most projects at 61 with Maryland close behind at 60. Excluding the District of Columbia, Maryland and West Virginia have the most concentrated usage of funds with nine cities in each state. North Carolina appears to have the most widely distributed funding across 26 cities.

Seventy-one percent of the projects involve real estate-based QALICBs. Fifty-three percent of the projects with a real estate purpose are using the investments for rehabilitation of commercial real estate. West Virginia is the only state in the District that has more non-real estate projects than real estate. Their major purpose is business financing.

Fifty-five CDEs have been involved in NMTC projects in the Fifth District. They range from national (Merrill Lynch Community Development Company) to state (The West Virginia Community Development Loan Fund, Inc.) and local (Prince George's Community Capital Company, LLC) organizations.

The CDFI Fund emphasizes rural project funding with the goal of at least 20 percent of QLICs taking place in rural areas. Eighty-seven percent of the Fifth



Source: CDFI Fund

District projects are in metro locations. North Carolina and Virginia have the most rural projects with 11 each.

The city of Durham, N.C. had the District's single largest NMTC disbursement (\$55.6 million) for a commercial real estate rehabilitation project involving multiple CDEs. Huntington, W.Va. had the lowest amount (\$92,600) for a real estate project involving multifamily housing rehabilitation.

The city of Baltimore, Md. has received the largest amount of NMTC investment in the District from FY2003 through FY2011 with a total of \$582 million for 48 projects. The aggregate cost of these projects

is roughly \$3 billion, indicating that NMTC funds have only covered 19 percent of the costs across all the projects. Depending on the scale of the project, investment in low-income communities may therefore require additional funding sources beyond NMTC.

[richmondfed.org/publications/community\\_development](http://richmondfed.org/publications/community_development)

<sup>1</sup> For additional details on the CDFI Fund's NMTC program, visit [http://www.cdfifund.gov/what\\_we\\_do/programs\\_id.asp?programID=5](http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5).

<sup>2</sup> U.S. Department of the Treasury, 2013. *New Markets Tax Credit Public Data Release: 2003-2011 Summary Report*. Washington, DC: Community Development Financial Institutions Fund, July.