Florida Congressional Delegation Briefing:

New Markets Tax Credit Program Evaluation Released

FLORIDA COMMUNITY LOAN FUND

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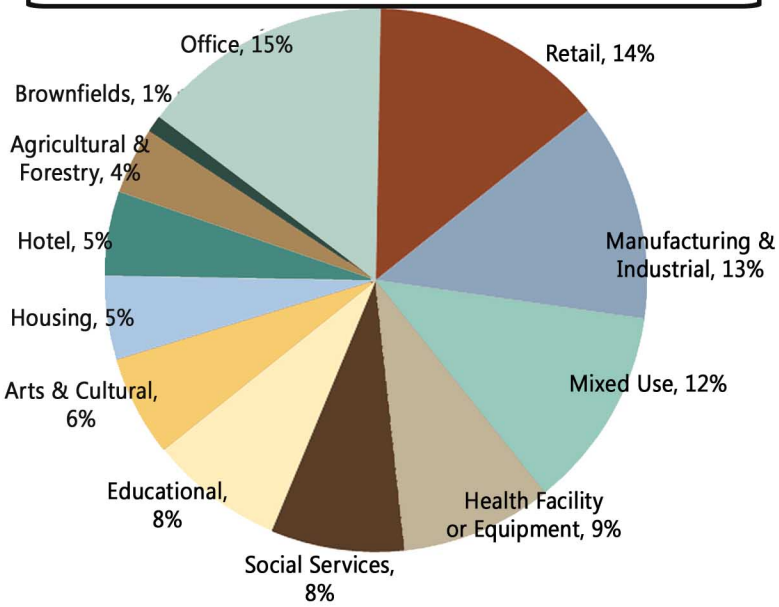
CONTACT: Joy Beaton, Director of Government Relations, Florida Community Loan Fund (FCLF)
Phone 941.587.0586, Email JBeaton@FCLF.org

The Urban Institute just released its New Markets Tax Credit Program Evaluation Report on November 15, 2013. Commissioned by the U.S. Department of Treasury's CDFI Fund, this report assesses the first four years of the New Markets Tax Credit (NMTC) Program for the period 2003-2007.

THE KEY FINDINGS:

According to the study[1] "NMTC investments delivered billions in private capital to low income communities and created a diverse range of positive outcomes in target communities." Specific findings looked at job creation, local tax base impact, community quality-of-life improvements, improved access to capital, investor participation, and "but for" the credit's impact.

NMTC Projects by Business Type
Survey of 247 projects, 2003-2007



Study Methodology: To arrive at its findings, the Urban Institute used NMTC transaction data from the CDFI Fund, telephone interviews with CDEs, QALICBs, investors, and/or other key parties for 70 NMTC projects, and an online survey of 176 QALICBs and 309 community and economic development specialists based in localities with at least one NMTC project.[4]

JOB CREATION

287,284 JOBS

NMTC projects created or retained 135,970 permanent jobs and 151,304 construction jobs.[2] Some projects created or retained primarily entry-level jobs; others (such as a scientific research center) generated management or professional level jobs.

LOCAL TAX BASE IMPACT

- 80% of projects enhanced the local tax base
- 70% of projects paid increased payroll taxes
- 66% paid increased property taxes
- 60% generated increased individual income taxes
- 33% generated increased corporate taxes
- 50% or more paid increased sales taxes[3]

INVESTOR PARTICIPATION

The majority of NMTC investors were regulated financial institutions. The survey further found that NMTC drew investors to projects that they would not otherwise consider.

69% *would not have made investments without NMTC.*

28% *were able to expand the scope or terms of their investments.*[5]

[1] "New Markets Tax Credit Program Evaluation." Urban Institute (2013); vii.
[2] "New Markets Tax Credit Program Evaluation." Urban Institute (2013); xiv.
[3] "New Markets Tax Credit Program Evaluation." Urban Institute (2013); 147-148.
[4] "New Markets Tax Credit Program Evaluation." Urban Institute (2013); 40.
[5] "New Markets Tax Credit Program Evaluation." Urban Institute (2013); 64-66.

IMPROVING COMMUNITIES

88% of NMTC projects brought quality of life improvements to their communities.

- 42% added retail amenities such as grocery stores and shopping centers
- 23% added community facilities, including healthcare, employment training centers, childcare and educational facilities
- 21% added "quality of life" amenities, including parks, open spaces, community centers, theaters, and museums.

Other impacts reported included "new business creation, improved property appearance, improved neighborhod safety, reduced crime, increased community pride and morale, or sustained improvement in inter-organizational relationships."[6]

The Florida Community Loan Fund's
NMTC Projects totaling $407 million in project costs would not have been made possible

BUT FOR

the use of $143 million in federal NMTC credits.

"BUT FOR" NMTC

The Urban Institute study also looked at the extent to which the NMTC investments substituted for other possible funds that could have been used to complete a project. The study acknowledges that this is an exceptionally difficult question to answer definitively due to the study's sample size and because economic development projects involve a complex array of moving parts.

However, the Urban Institute did find that as the program matured over its first 4 years, the substitution effect declined substantially based on stricter program requirements placed upon CDEs by Treasury (e.g., a general prohibition against refinancing of real estate), as well as an improved application process that placed greater emphasis on non-traditional financing, investments in severely distressed communities, and direct benefits to community residents.[7] Industry experts believe that this downward trend in substitution has continued in ensuing years (2008 and beyond) as competition for NMTC credit allocations increased and commercial lending became increasingly difficult.



[6] "New Markets Tax Credit Program Evaluation." Urban Institute, (2013): 134-137.
[7] "New Markets Tax Credit Program Evaluation." Urban Institute, (2013): 98.