



# COMMUNITY

Revitalization by Rewarding Private **INVESTMENT**

Over the past decade, our nation's low-income communities have suffered due to factors such as dormant manufacturing facilities, inadequate education and healthcare services, vacant commercial properties, and lower property values. As a result, many of these communities find it difficult to attract the necessary capital from private investors. The New Markets Tax Credit Program (NMTC Program) helps economically distressed communities attract private capital by providing investors with a Federal tax credit. Investments made through the NMTC Program are used to finance businesses, breathing new life into neglected, underserved low-income communities.

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## **HOW DOES THE NMTC PROGRAM WORK?**

Through the NMTC Program, the CDFI Fund allocates tax credit authority to Community Development Entities (CDEs) through a competitive application process. CDEs are financial intermediaries through which private capital flows from an investor to a qualified business located in a low-income community. CDEs use their authority to offer tax credits to investors in exchange for equity in the CDE. Using the capital from these equity investments, CDEs can make loans and investments to businesses operating in low-income communities on better rates and terms and more flexible features than the market.

In exchange for investing in CDEs, investors claim a tax credit worth 39 percent of their original CDE equity stake, which is claimed over a seven-year period.

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## **HOW DO COMMUNITIES BENEFIT?**

The NMTC Program has supported a wide range of businesses 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. Since 2003, the NMTC Program has created or retained nearly 750,000 jobs. It has also supported the construction of 84.6 million square feet of manufacturing space, 62.7 million square feet of office space, and 42.7 million square feet of retail space. In addition, as these communities develop, they become even more attractive to investors, catalyzing a ripple effect that spurs further investments and revitalization.

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## **HOW DO BUSINESSES BENEFIT?**

The NMTC Program helps businesses with access to financing that is flexible and affordable. Investment decisions are made at the community level, and typically 94 to 96 percent of NMTC investments into businesses involve more favorable terms and conditions than the market typically offers. Terms can include lower interest rates, flexible provisions such as subordinated debt, lower origination fees, higher loan-to-values, lower debt coverage ratios and longer maturities.

To see which CDEs have received NMTC allocation authority, please visit our searchable awards database at [www.cdfifund.gov/awards](http://www.cdfifund.gov/awards).

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## **AN EFFICIENT AND EFFECTIVE USE OF FEDERAL DOLLARS**

For every \$1 invested by the Federal government, the NMTC Program generates over \$8 of private investment. The NMTC Program catalyzes investment where it's needed most – nearly 75 percent of New Markets Tax Credit investments have been made in highly distressed areas. These are communities with low median incomes and high rates of unemployment, and the NMTC investments can have a dramatic positive impact.

## **FIND OUT MORE**

Visit our website: [www.cdfifund.gov/nmtc](http://www.cdfifund.gov/nmtc)

Learn about CDE Certification: [www.cdfifund.gov/cde](http://www.cdfifund.gov/cde)

Call our help desk for support: (202) 653-0421

Email us your questions: [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov)