NEW MARKETS TAX CREDIT

Helping developers and communities build success

Is your project eligible for the new markets tax credit?
Do you have questions about the application process?
Have you considered how to combine the new markets tax credit with other tax credits?

In an environment where conventional sources of financing and equity come up short, the new markets tax credit (NMTC) can be a powerful tool to close the funding gap and make your project a reality.

Enacted in 2000 to infuse investment dollars into low-income communities, the NMTC can provide resources where capital is generally more difficult to obtain. It is awarded through the Community Development Financial Institutions (CDFI) Fund, and provides for a 39 percent tax credit over a seven-year period: 5 percent in years one through three, and 6 percent in years four through seven.

Each calendar year, the CDFI Fund awards credits to Community Development Entities (CDEs) through a competitive process. Capital is raised from investors that monetize the credits by making qualified equity investments in a CDE's investment fund. The CDEs, in turn, invest the capital raised into projects and businesses in low-income communities. Those projects and businesses, in turn, must apply to the CDEs to seek to use their credit allocations.

The credit can assist many different groups in making their visions a reality. It can help close the funding gap in commercial, mixed-use or community facilities, and assists existing businesses in acquiring, rehabilitating or expanding current facilities.

We can assist in a new markets tax credit transaction by:

• Determining eligibility
• Preparing financial projections
• Identifying and negotiating with investors, CDEs and other development partners
• Investigating alternative financial structures to maximize owner/investor returns
• Advising or negotiating terms and rates of conventional financing
• Developing exit strategies, including projecting residual value and investor tax liabilities
• Combining the NMTC with other tax credits
• Performing due diligence procedures for investors and syndicators
• Reviewing debt agreements, covenants, partnership agreements and other financial documents in coordination with legal counsel
• Reviewing projects for compliance with the NMTC program
• Conducting residual value and true debt analyses

Build upon our experience

Our professionals have served as advisors to owners, developers, investors, CDEs and not-for-profit sponsors nationwide. We anticipate challenges, and successfully utilize the NMTC through commercial real estate investments, transactions in conjunction with the historic rehabilitation credit, venture capital funds or a combined approach. We have the capabilities and experience to help with every aspect of your NMTC transaction, and can assist you in determining the financial structure that works best for you.