

New Markets Tax Credits



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Atlanta Emerging Markets, Inc.

Who We Are:

- Treasury-certified Community Development Entity (CDE) eligible to receive allocations of New Markets Tax Credits
- Affiliated with Invest Atlanta, City's economic development agency
- Awarded \$308 million in New Markets Tax Credit allocation since 2007 (including \$50 million in 2020 round)
- Twenty-four NMTC projects financed to date
- Private sector investor partners include Truist, JP Morgan Chase, PNC, US Bank, Bank of America, Northern Trust, Wells Fargo, Fifth Third, and Capital One
- Launched new flexible loan programs to support social entrepreneurship, small businesses, and holistic redevelopment projects



New Markets Tax Credit Program

History

- Federal tax credit started in 2000
- Promotes job creation and services in the nation's economically distressed communities

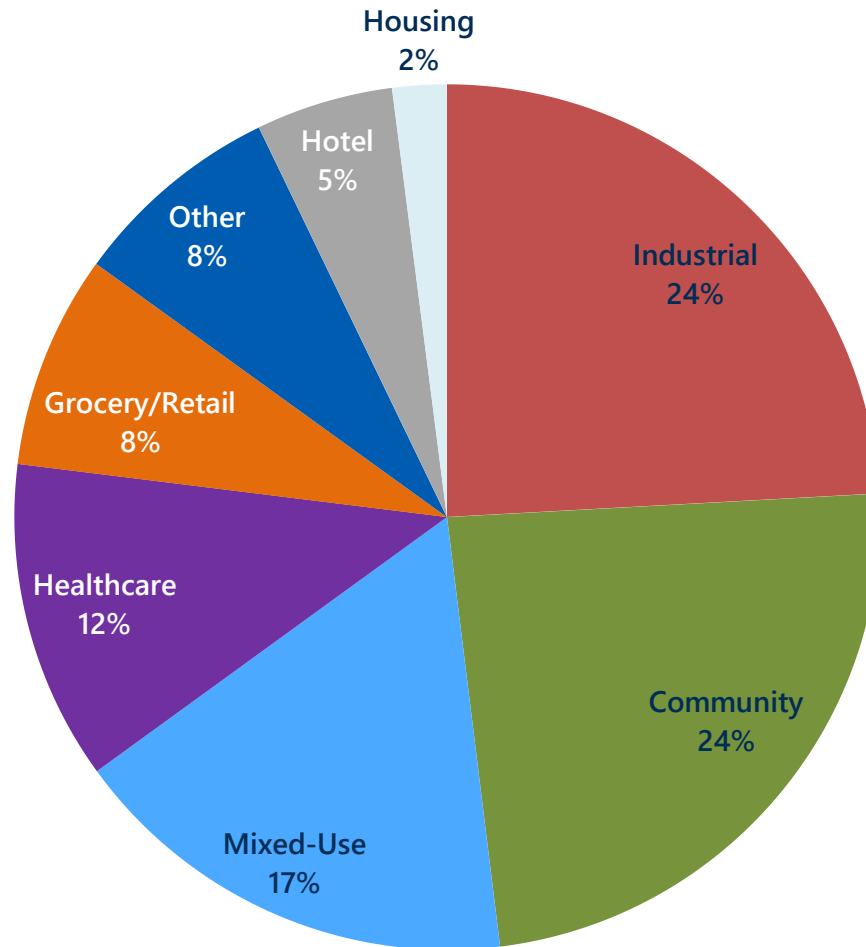
Impact through 2020

- Supported over 6,400 projects, including more than 2,800 community facilities
- Provided subsidy for projects totaling over \$105 billion
- Created more than 1,000,000 jobs

Benefits to Projects

- **Subsidy:** Boosts available capital by 15-20% through private NMTC investor
- **Long-Term Financing:** Very low-cost, patient capital with 7+ year term
- **Permanency:** After 7 years, the additional capital converts to permanent equity

What types of projects do NMTCs support?





What makes a strong NMTC project?

Location

Projects must be located in a Low-Income Community, defined as a census tract that meets one of the following criteria according to the 2011-2015 American Community Survey:

- Median Family Income of 80% or less of Metro Median
- Poverty rate of 20% or greater

Size

Projects are typically \$5MM+ in total project cost

Impact

The most attractive projects offer strong community impacts with robust documentation

Readiness

Other financing sources (the Non-NMTC subsidy) need to be available as cash at NMTC closing
Project needs to start spending NMTC proceeds upon closing

- Real estate projects need to be in ready to begin construction at closing (e.g., building permit, contractor engaged, etc.)
- Operating businesses need to have a clear plan to begin spending proceeds

Need

Projects must have a demonstrated need for NMTC subsidy—the “But For”

FEDERAL GOVERNMENT

- U.S. Congress authorizes Treasury to make allocations of NMTC
- Within U.S. Treasury, CDFI Fund administers NMTC Program

COMMUNITY DEVELOPMENT ENTITIES (CDES)

- Apply for and receive NMTC allocation in competitive process
- Make decisions on what projects to support with their NMTC allocation
- Private mission-driven entities, serving low-income communities

NMTC INVESTORS

- Invest equity in exchange for a federal tax credit
- Provide 15-20% of total capital for a given transaction
- Typically large banks

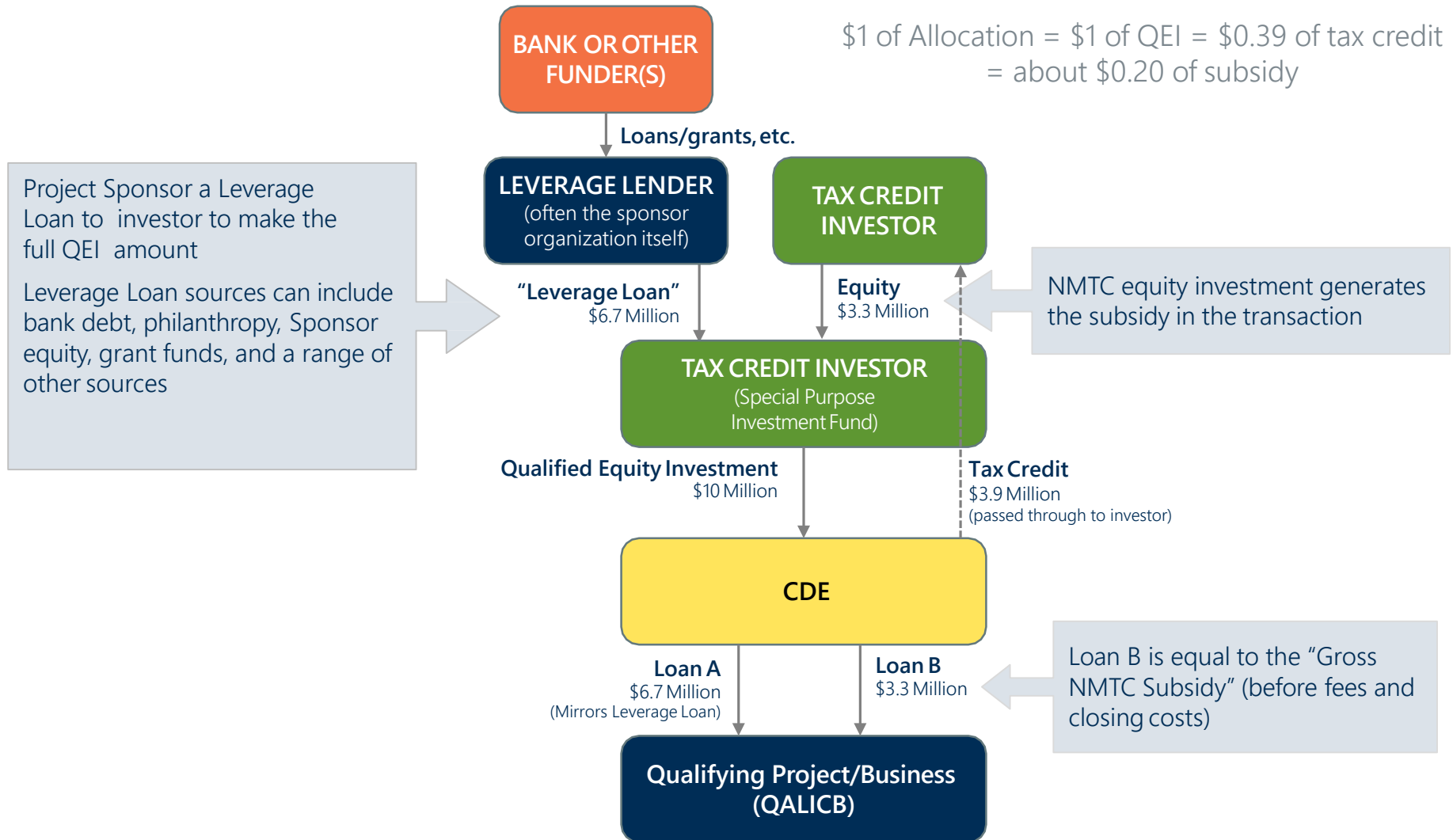
OTHER FUNDERS

- Provide 80-85% of total capital for a given transaction
- Very flexible: foundations, banks, CDFIs, gov't (local, state, federal), etc.

NMTC PROJECTS

- Typically commercial real estate, owner-occupied facility, or operating business
- For-profit or nonprofit; many are nonprofit
- Project Team includes NMTC-specialized consultant, accountant and attorney

Structuring: The “Leverage Model”





Sample Transaction

\$10 Million Sample Transaction

| | | |
|---|--------------|---|
| Total NMTC Allocation | \$10,000,000 | |
| Total Tax Credits | \$3,900,000 | <i>39% of Allocation</i> |
| <hr/> | | |
| Total NMTC Equity (Gross) from Investor | \$2,964,000 | <i>\$.76 Investor Pricing for Tax Credits</i> |
| <hr/> | | |
| Total Fees + Closing Expenses | \$1,068,000 | |
| <hr/> | | |
| Net Benefit to Project | \$1,896,000 | <i>(Total NMTC Equity from Investor less Total Fees + Closing Expenses)</i> |



NMTC Legislation & Future Update

2020 Round of NMTC

- 2020 award announcement made on 9/1/2021
- \$5 billion of NMTC awarded (previously \$3.5 billion)
- Extremely competitive (typically ~30% success rate)
- 2021 application expected to be released this fall

Legislation

- Bipartisan support
- Not a permanent program – received a 5-year renewal in 2020 at \$5 billion annually
- Currently seeking to make NMTC program permanent

Goodwill of North Georgia



Project

- Construction of a 34,000-square-foot facility that will house:
 - 12,000 SF Center for Workforce Innovation (career center)
 - 22,000 SF retail store
- GNG's first career center within Atlanta city limits to better serve residents from Atlanta's Southside
- Career center will include space for specialized job training programs, drop-in career support, and partners providing complementary support service
 - Job training and career support for **8,300 people** facing barriers to employment annually
- All career centers have programs targeted at connecting veterans, women in non-traditional occupations, opportunity youth, and SNAP recipients with employment opportunities

Financing

- NMTC Investor: Northern Trust
- Total NMTC allocation: \$10 million

Project Description

- 46,000 SF LEED-certified low-barrier shelter for homeless women and children, the first of its kind in Atlanta
- Includes 100 overnight beds, a health clinic, full cafeteria, and community spaces where homeless individuals can access a range of support services

Location 655 Ethel St NW, Atlanta, GA 30318

Key Community Impacts

- Create 100 new shelter beds for those in need
- Expand day services for women and children by 20 percent
- Provide job training, financial literacy classes, counseling, and free childcare
- Mercy Care will operate and on-site health clinic

Financing

- NMTC Investor: Truist
- Total NMTC allocation: \$17 million



Contact Information



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