



**FEATURED SPEAKERS**

**Patricia L. Smith, Senior Policy Advisor**  
The Reinvestment Fund



**Daniel Aiello**  
Policy & Program Officer NMTC Program  
CDFI Fund



**Christina Szczepanski, CFA**  
Senior Portfolio Manager  
The Reinvestment Fund



# **New Market Tax Credits: An Important Financing Tool for Healthy Food Retail**

**WEBSITE**

[www.healthyfoodaccess.org](http://www.healthyfoodaccess.org)



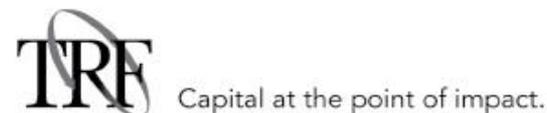
Support for the Healthy Food Access Portal was provided by a grant from the Robert Wood Johnson Foundation.



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July 11, 2013

Patricia Smith, Senior Policy Advisor  
The Reinvestment Fund

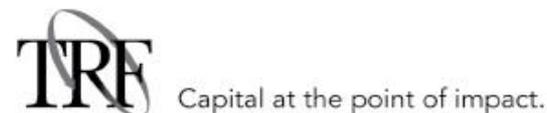




**PolicyLink** is a national research and action institute advancing economic and social equity by Lifting Up What Works®. [www.policylink.org](http://www.policylink.org)

**The Reinvestment Fund** is a national leader in rebuilding America's distressed towns and cities and does this work through the innovative use of capital and information to finance projects related to housing, community facilities, food access, commercial real estate, and energy efficiency in the Mid-Atlantic. [www.trfund.com](http://www.trfund.com)

**The Food Trust** is a nonprofit founded in 1992 to make healthy food available to all by working with neighborhoods, schools, grocers, farmers and policymakers to develop a comprehensive approach that combines nutrition education and greater availability of affordable, healthy food. [www.thefoodtrust.org](http://www.thefoodtrust.org)



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# Healthy Food Access Portal

## Healthy Food Access Portal

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Get Started

Resources

Find Money

Policy Efforts

Retail Strategy

News & Events



### Welcome to the nation's first comprehensive healthy food access retail portal.

Find resources designed to improve healthy food access in communities, build local economies, and enhance public health. Tap into a learning network that's using retail strategies to connect consumers to healthy food.

#### Join the Discussion

"Food Access and Economic Opportunity: The Role of CDFIs," Don Hinkle-Brown, TRF



Resources

Find Money



**WEBINAR-The Grocery Gap: A Training for Grocers**

News

Events



**Food-Stamp Use Rises From Year Ago**  
Food-stamp use rose 2.7% in the U.S. in

Policy Efforts

Retail Strategy



**Massachusetts**

*Policy Efforts to Watch: Massachusetts*

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The Reinvestment Fund

# Find Money

## Healthy Food Access Portal

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## Find Money



**Overview**

[Grants](#)

[Loans](#)

[Incentives](#)

[HFFI](#)



Welcome to Find Money. Today more grant, loan, and incentive opportunities exist than ever before to help you build, renovate, or plan for healthy food retail in your community. In most cases, several different grants, loans, and incentives are combined to fully fund a project. Here, you will find descriptions of potential funding sources for your healthy food retail project.

For funding sources dedicated to healthy food retail, see [Healthy Food Financing Initiatives \(HFFI\)](#).

For current funding opportunities, see [Funding Availability Now](#).

### Are You Ready

The Find Money Assessment Tool will help you assess your level of readiness to finance your healthy food retail project.





# **Daniel Aiello**

Policy & Program Officer, New  
Markets Tax Credit Program  
CDFI Fund



# CDFI Fund Overview

- **Created in 1994**
- **Mission: To increase economic opportunity and promote community development investments for underserved populations and in distressed communities in the United States**
- **Vision: To economically empower America's underserved and distressed communities**
- **The CDFI Fund achieves its mission by directly investing in and supporting Community Development Financial Institutions (CDFIs), Community Development Entities (CDEs), and other financial institutions through the following programs and initiatives:**
  - New Markets Tax Credit (NMTC) Program
  - Bank Enterprise Award (BEA) Program
  - CDFI Program (FA & TA)
  - Native Initiatives (NACA)
  - CDFI Bond Guarantee Program

# What is the New Markets Tax Credit?

- The NMTC Program was authorized under the Community Renewal Tax Relief Act of 2000. The American Taxpayer Relief Act of 2012 extended the program through 2013.
- Provides a credit against Federal income taxes for investors that make Qualified Equity Investments (QEIs) into Community Development Entities (CDEs).
- CDEs in turn use the proceeds of these investments to make Qualified Low-Income Community Investments (QLICIs).
- The credit is taken over a seven-year period. The credit rate is:
  - Five percent of the original investment amount in each of the first three years; and
  - Six percent of the original investment amount in each of the final four years.
  - Equals 39 percent of amount of original investment.
- CDEs are headquartered in 49 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

# What is a CDE?

To be eligible to participate in the NMTC Program, a Community Development Entity must be certified by the CDFI Fund. To qualify for certification as a CDE, an organization must:

- Be a domestic corporation or partnership at the time it applies for certification;
- Demonstrate a primary mission of serving or providing investment capital for low-income communities or people; and
- Maintain accountability to low-income communities through representation on the organization's governing board or advisory board to the entity.

Organizations that have been certified as CDFIs by the CDFI Fund and organizations that have been designated as Specialized Small Business Investment Companies by the Small Business Administration automatically qualify as CDEs.

# Low-Income Communities

***Low-Income Communities*** are census tracts:

- With at least a 20 percent poverty rate; ***or***
- Where the median family income does not exceed 80 percent of the area median family income; ***or***
- Where the median family income does not exceed 85 percent of the area median family income, provided the census tract is located in a high migration rural county; ***or***
- That have a population of less than 2,000, are contained within a federally designated Empowerment Zone, and are contiguous to at least one other low-income community.

# Targeted Populations

Projects not located within low-income communities, but that otherwise serve ***Targeted Populations***, may also qualify for NMTC investments. Targeted Populations include:

1. Low-income persons, to the extent the project is located in a census tract with a median family income at or below 120 percent of the applicable area median family income; or
2. For Gulf Opportunity (GO) Zone allocations, individuals that have been displaced from their homes and/or have lost their principal source of employment in the wake of Hurricane Katrina.

Please refer to IRS and CDFI Fund guidance for additional details.

# Eligible Investments

## **Qualified Low-Income Community Investments**

- Any capital or equity investment in or loan to any Qualified Active Low-Income Community Business (QALICB);
- Purchase of a loan from another CDE if the loan is a QLICI;
- Any equity investment in or loan to any CDE; and
- Financial counseling and other services to businesses located in, or residents of, low-income communities.

## **Financial Counseling and Other Services**

Financial counseling and other services is defined as “advice provided by the CDE relating to the organization or operation of a trade or business.” Activities could include:

- Business plan development;
- Assistance with business financials; and/or
- Operating assistance to non-profit organizations.

# Eligible Investments

## **Qualified Active Low-Income Community Business**

- An operating business located in a low-income community;
- A business that develops or rehabilitates commercial, industrial, retail, and mixed-use real estate projects in a low-income community;
- A business that develops or rehabilitates community facilities, such as charter schools or health care centers, in a low-income community; and
- A business that develops or rehabilitates for-sale housing units located in low-income communities.

# Timing of Investments

- CDEs must offer NMTCs to investors within five years of receiving an allocation.
- CDEs have 12 months to invest their QEI proceeds into Qualified Low-Income Community Investments.
- Generally, CDEs that receive returns of capital will have 12 months to reinvest those funds in Qualified Low-Income Community Investments.
- Reinvestment is not required in the final year of the seven-year credit period.

# Ineligible Activities

## **Residential rental property**

- Buildings or structures that derive 80 percent or more of its gross rental income from renting dwelling units.

## **Certain types of businesses**

- Golf courses;
- Race tracks;
- Gambling facilities;
- Certain farming businesses;
- Country clubs;
- Massage parlors;
- Hot tub facilities;
- Suntan facilities; and
- Stores where the principal business is the sale of alcoholic beverages for consumption off premises.

# Non-Metropolitan Counties

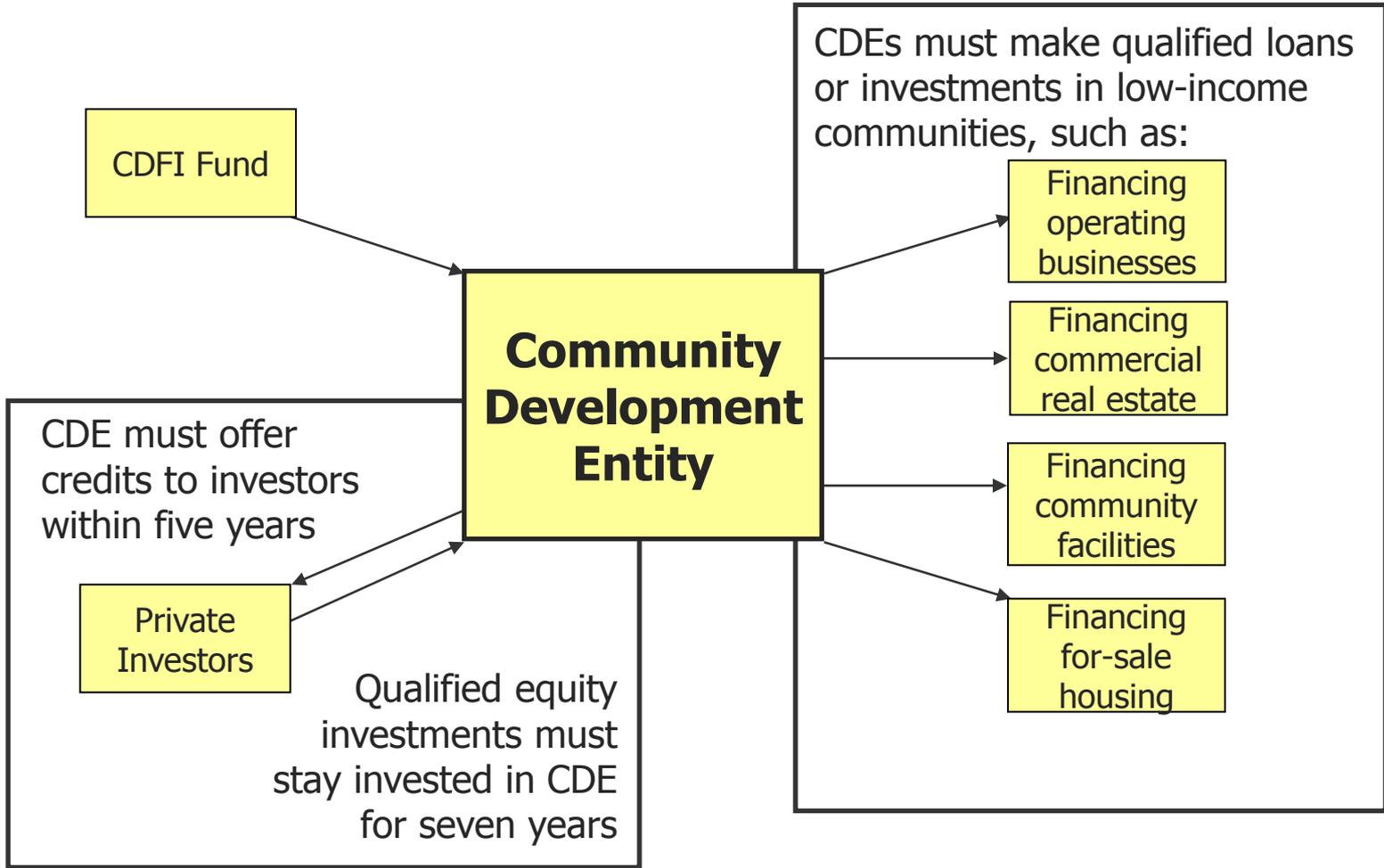
## **The CDFI Fund awards proportional allocation of QLICIs in Non-Metropolitan Counties.**

- The proportion of awardees that are rural CDEs is equal to the proportion of applicants in the Phase 2 review pool that are rural CDEs.
- At least 20 percent of QLICIs made using QEI proceeds are invested in Non-Metropolitan Counties.

## **Rural CDEs**

- Historically dedicated at least 50 percent of activities to Non-Metropolitan Counties; and
- Commit at least 50 percent of NMTC activities will be conducted in Non-Metropolitan Counties.

# NMTC Investment



# NMTC Impacts / Outcomes

<b>Lending &amp; Investing Activity</b>	<b>FY 2012</b>	<b>Cumulative</b>
Total QLICIs	\$5.5 billion	\$26.4 billion
Number of QLICIs	1,278	6,814
Percent of Loans/Investments in Severely Distressed Communities	70.60%	70.50%
Jobs at End of Reporting Period	31,405	111,277
Projected Construction Jobs	52,448	247,555
Affordable Housing Units Financed	2,967	7,488
Square Feet of Commercial Real Estate	18.6 million	109.3 million
Businesses Financed	578	1,781
<b>Financial Counseling &amp; Other Services</b>		
Total Investments	\$856,979	\$33.1 million
Businesses Served	8,323	34,295

# Contact Information

CDFI Fund's New Market Tax Credit Website	<a href="http://www.cdfifund.gov/nmtc">www.cdfifund.gov/nmtc</a>
Help Desk Phone	(202) 653-0421 *Option 3
Help Desk Email	cdfihelp@cdfi.treas.gov



# Christina Szczepanski, CFA

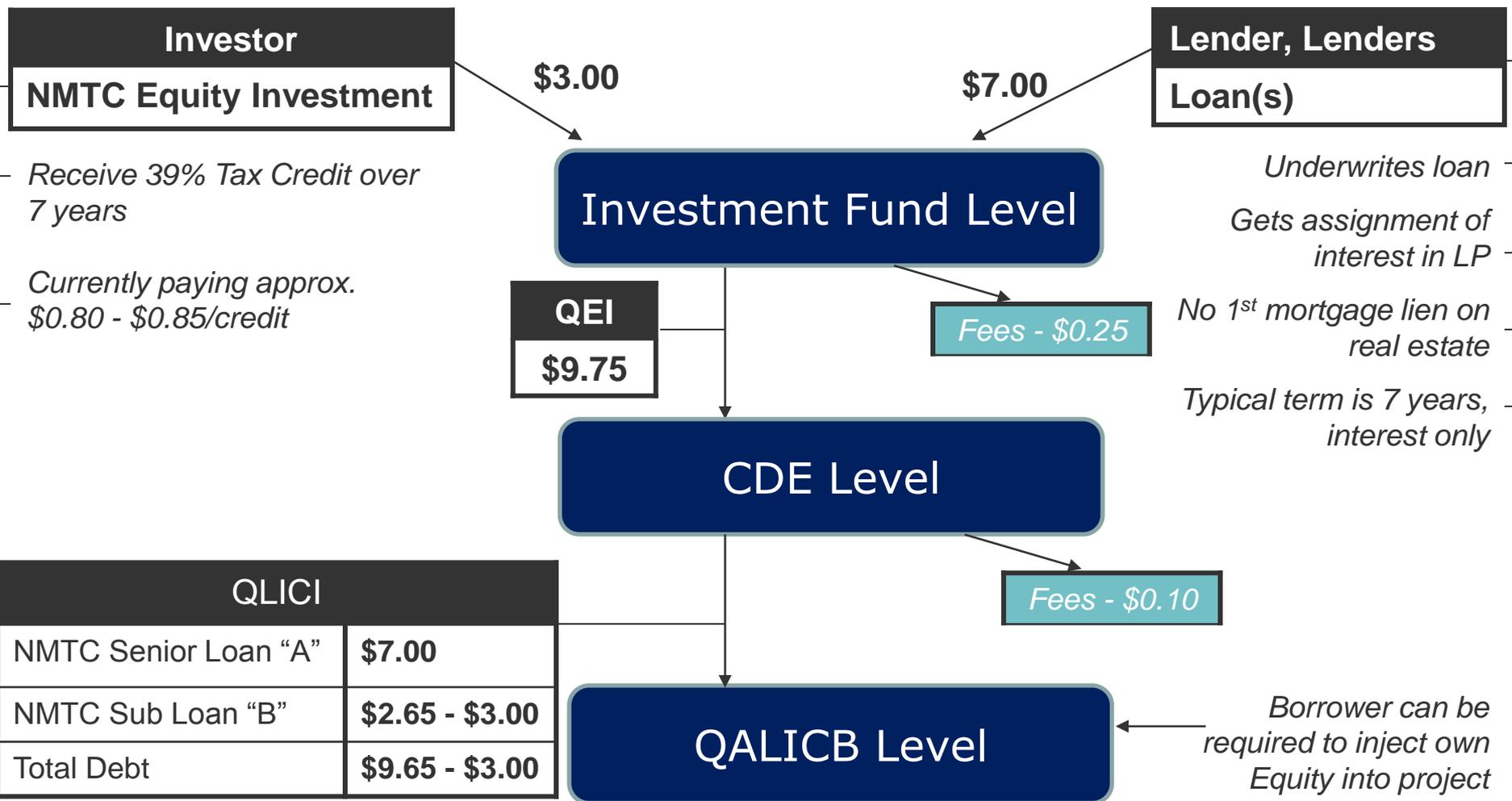
## Senior Portfolio Manager

### The Reinvestment Fund



# NMTC TRANSACTION STRUCTURE

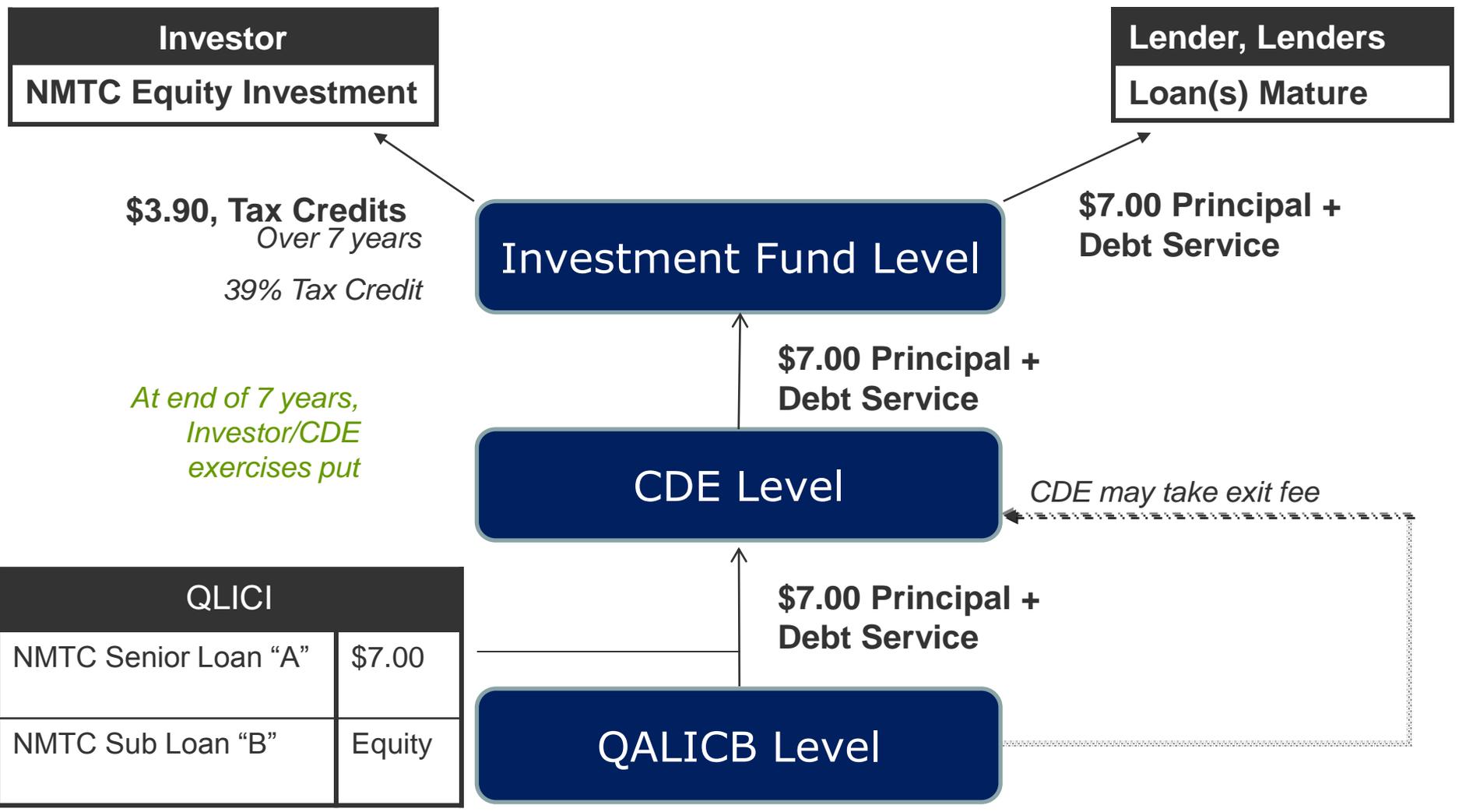
## At Closing



*Senior Loan "A" mimics Leveraged Fund Lender's loan terms*

# NMTC TRANSACTION STRUCTURE

At End of 7 Years



*At end of 7 years, Investor/CDE exercises put*

QLICI	
NMTC Senior Loan "A"	\$7.00
NMTC Sub Loan "B"	Equity

*NMTC Sub Loan "B" becomes Equity in the project*

# Progress Plaza, Philadelphia, PA



## Square Footage:

- 46,000 square feet of new fresh food retail
- 38,000 square feet of renovated in-line retail
- 6,000 square feet of new office space

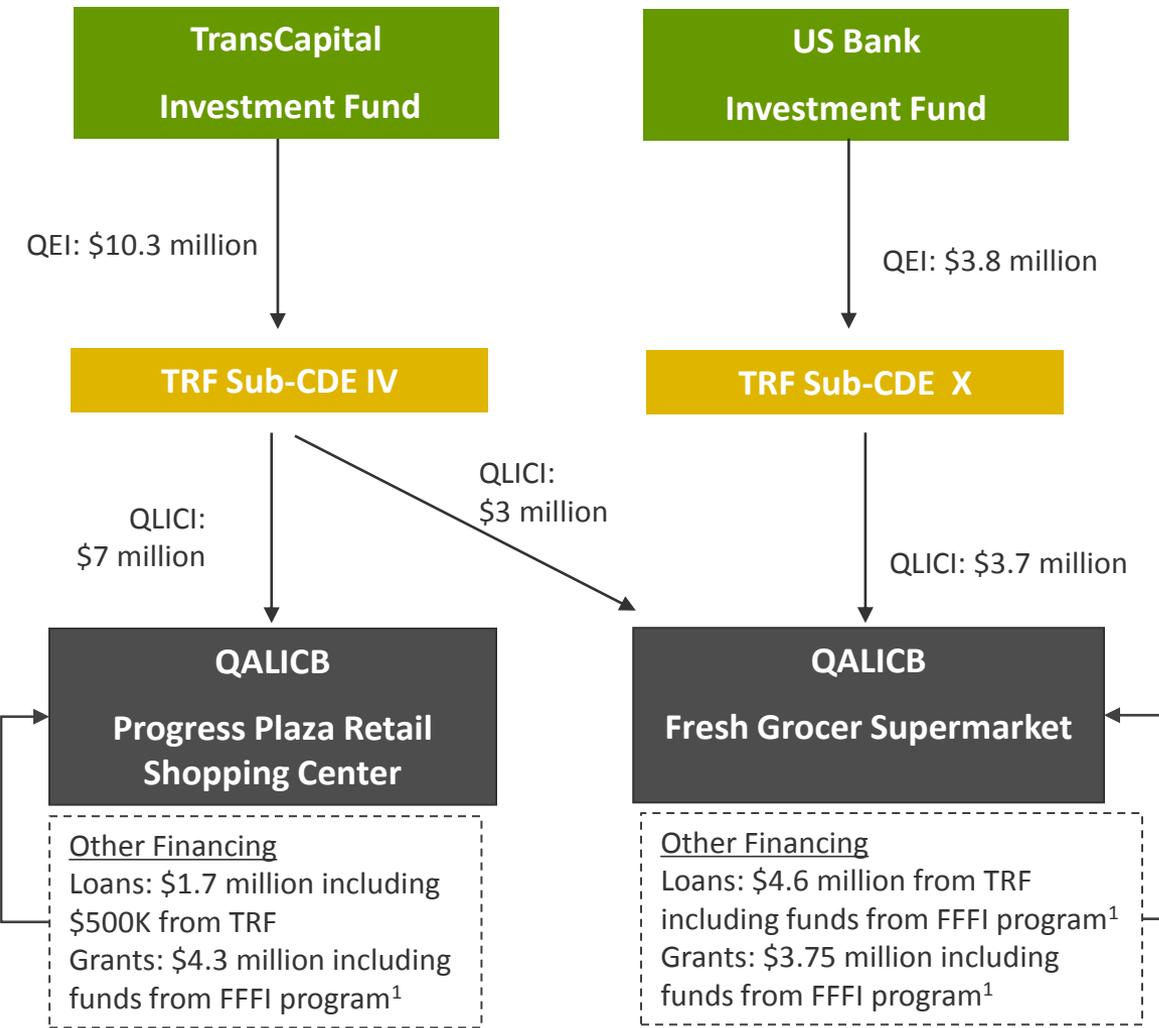
NMTC Investment: \$13.7 million

Jobs: 280 new jobs created and 45 jobs retained

Finance Partners: TransCapital, US Bancorp

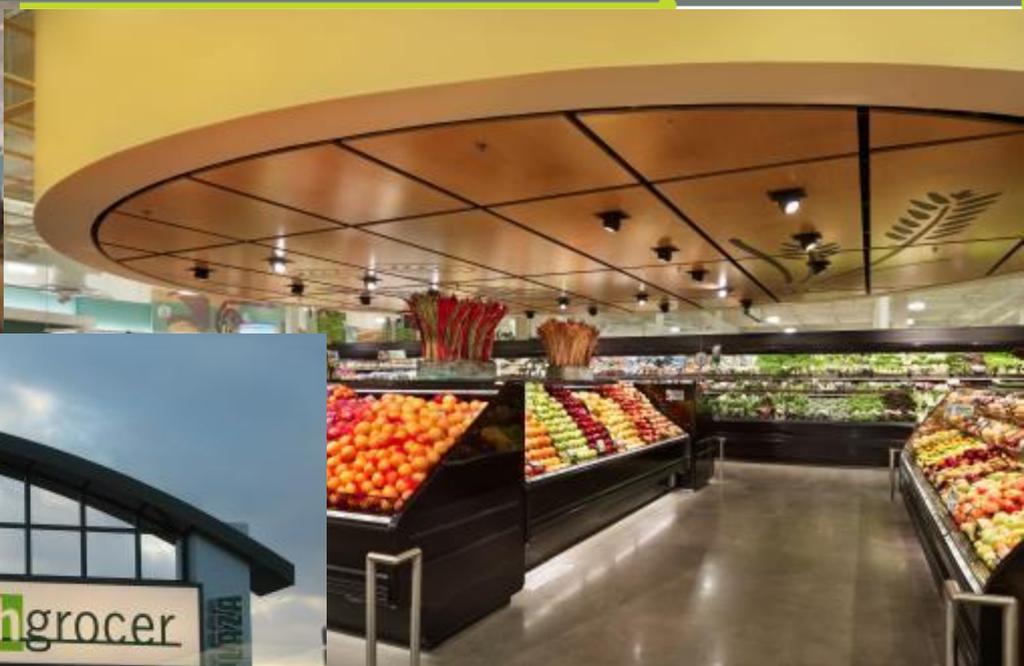
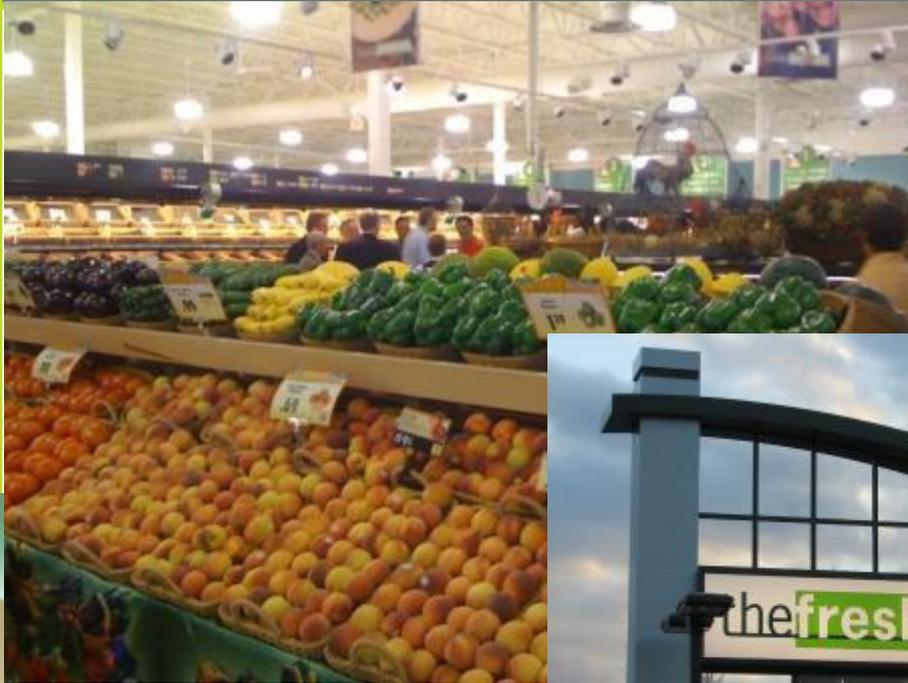
- Supermarket-anchored retail plaza that lost its supermarket tenant 11 years ago.
- The project brought a new supermarket to this low income neighborhood, providing access to quality fresh foods at affordable prices.
- A supermarket can also serve as an economic stimulus
  - bringing quality jobs with benefits
  - impacting real estate values in its adjacent areas
- **Benefits of NMTC financing:**
  - Lower debt service allowed the center's long-term tenants to stay at lower rents instead of vacating their space and re-tenanting.
  - Longer than standard IO payments allows grocery operator to better manage ramp-up and stabilization period.
  - Lower than standard interest rates.
  - All of the above enabled the operator to borrow enough funds to construct the required structured parking deck on the supermarket roof.
  - Professional services are qualified expenses. 23

# The Fresh Grocer at Progress Plaza



<sup>1</sup>The Fresh Food Financing Initiative is the PA initiative that the National HFFI is based on.

# Progress Plaza, Philadelphia, PA

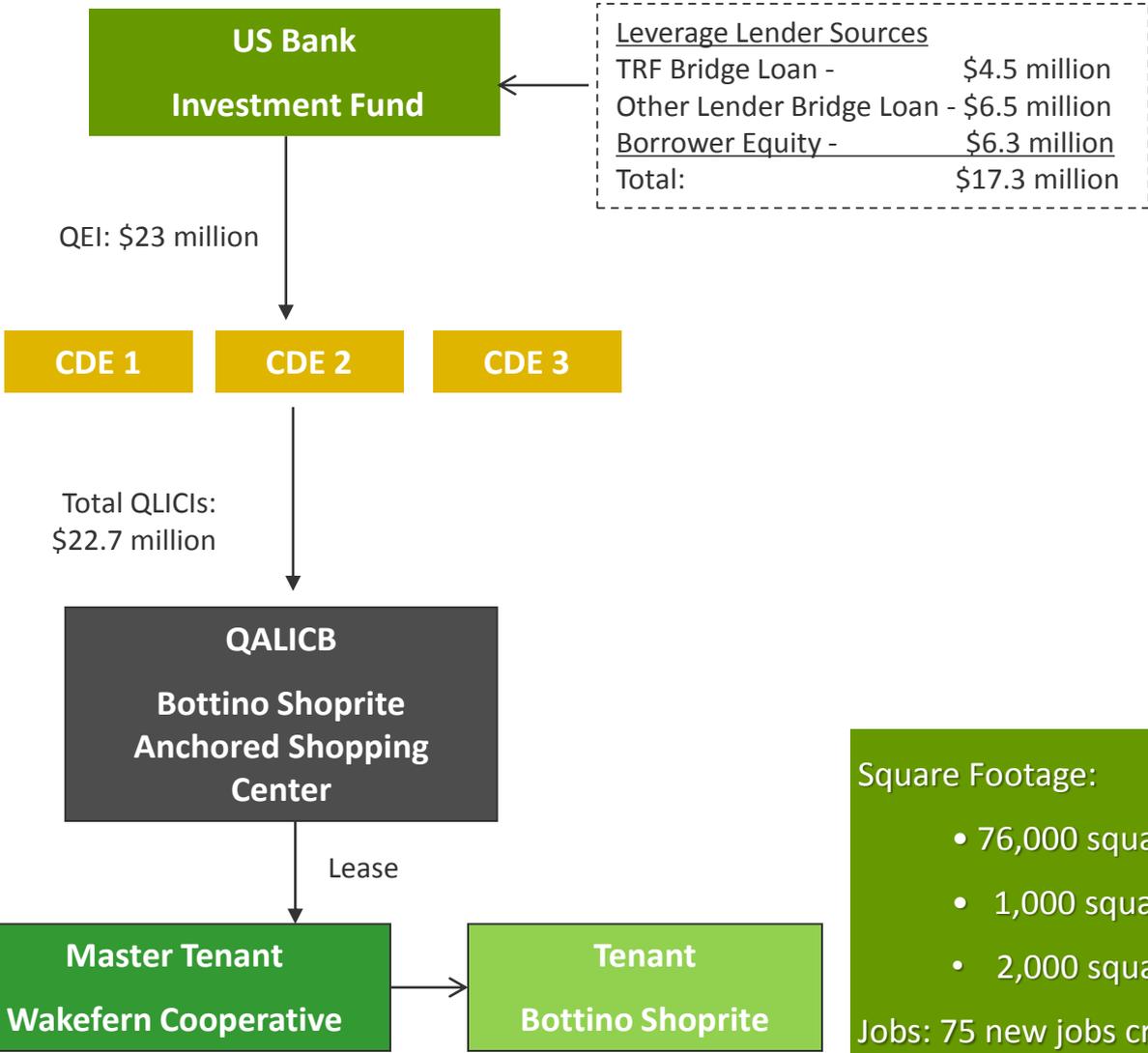


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# Bottino Family Shoprite, Vineland, NJ



Leverage Lender Sources	
TRF Bridge Loan -	\$4.5 million
Other Lender Bridge Loan -	\$6.5 million
Borrower Equity -	\$6.3 million
<b>Total:</b>	<b>\$17.3 million</b>



**Square Footage:**

- 76,000 square feet of new fresh food retail
- 1,000 square feet - Federally Qualified Health Center
- 2,000 square feet other new retail space

**Jobs:** 75 new jobs created and 135 jobs retained

# Bottino Family Shoprite, Vineland, NJ



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# Which Projects are a good fit with NMTCs?

- **If a real estate project, total development costs of  $\geq$  \$7 million.**
- **Shovel – ready projects. All funding sources on hand.**
- **If bridge loans are needed...source has been identified.**



# Questions & Answers





## Healthy Food Access Portal is now on Twitter!

Please follow us @AccessFood.

If you'd like us to tweet news about your healthy food access work, drop us an email at [HFA@policylink.org](mailto:HFA@policylink.org).

Also, keep an eye out for our new Facebook page, coming soon.





**Thank You!**

[info@healthyfoodaccess.org](mailto:info@healthyfoodaccess.org)

