

INTRODUCTION TO THE NEW MARKET TAX CREDIT PROGRAM

Civic San Diego Economic Growth
and Neighborhood Investment Fund

Community Planners Committee

Meeting of
July 23, 2013

Responsibilities & Priorities

- Redevelopment wind-down
- Affordable housing
- Neighborhood revitalization
- Economic transformation
- Infrastructure improvements
- Homeless solutions
- Long-range planning
- Foster TOD
- Facilitate mobility
- Entitlements / Permitting
- Job creation
- Environmental sustainability
- Support for arts & culture
- Historic preservation
- Advance biking/walking
- Community collaboration

A New Approach for a New Era



Civic San Diego

Created in response to the State's dissolution of redevelopment, Civic San Diego is the merger of Centre City Development Corporation (CCDC) and Southeastern Economic Development Corporation (SEDC) and charged with the mission of

- **winding down redevelopment;**
- **the management of former redevelopment agency housing and non-housing assets; and**
- **leveraging its talent, creative culture, and entrepreneurial spirit to advance economic development, neighborhood investment and revitalization, and urban planning and permitting.**

NMTC Program Overview

- Enacted on December 21, 2000
- Part of the Community Renewal Tax Relief Act of 2000
- Administered by the U.S. Department of Treasury, Community Development Financial Institution Fund (CDFI Fund)
 - \$33 billion total allocation to date (Allocation \neq Tax Credit)
 - Reauthorized January 2013 for 2 years, \$3.5 billion each year
- Creates a tax credit for QEI's in CDE's
- Goal is to provide private investment in LIC's
 - Can be for real estate projects or operating business

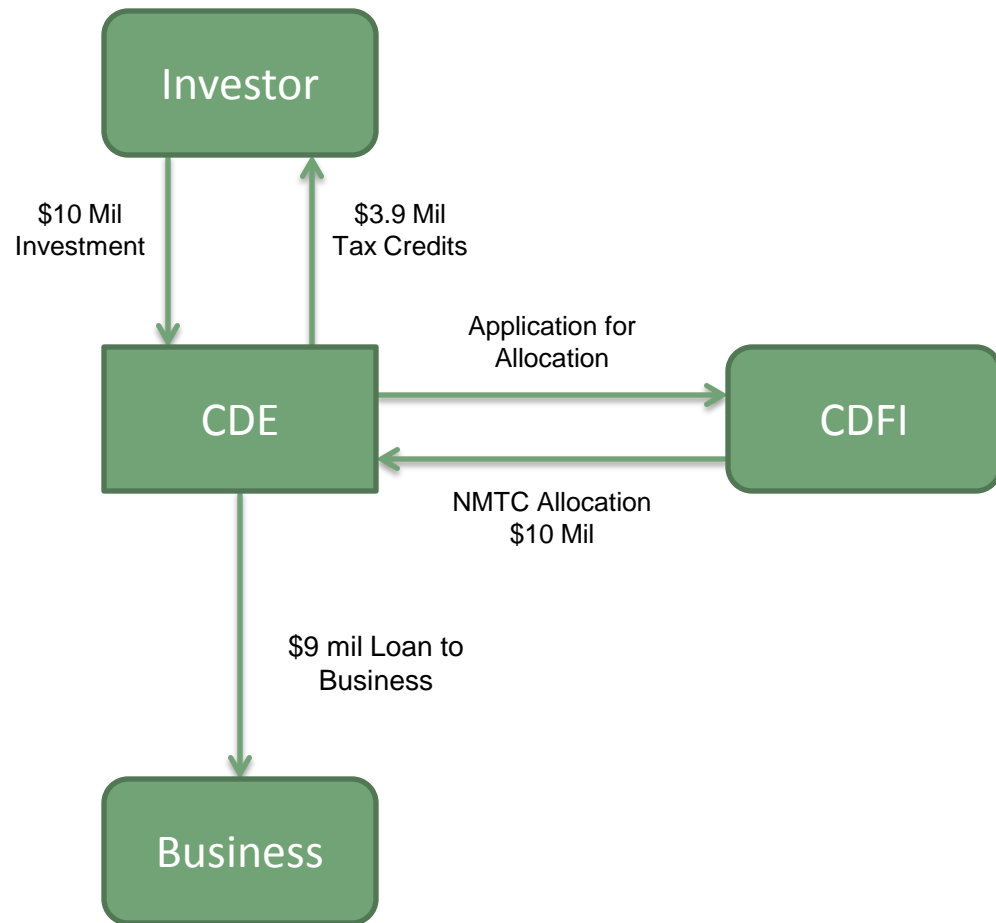
Program Overview

COMMUNITY IMPACTS

- Create or maintain jobs for Low-Income Persons.
- Create opportunities for Low-Income Persons to receive quality jobs.
- Make jobs accessible to Low-Income Persons.
- Provide commercial and community goods and services to Low-Income Persons.
- Finance minority-owned businesses in Low-Income Communities.
- Provide flexible lease rates in Low-Income Communities.
- Create environmentally sustainable outcomes in Low-Income Communities.
- Provide healthy food opportunities in Low-Income Communities.
- Enable catalytic projects in Low-Income Communities

Program Overview

- CDE applies with CDFI for an allocation
- CDFI awards CDE an allocation
- CDE sells tax credits in exchange for an investment
- CDE Loans funds to a Qualified Business
 - Favorable Interest Rates
 - Favorable Loan Terms
 - Typically 7 year term



Qualified Active Low-Income Community Businesses (QALICBs)

Requirements:

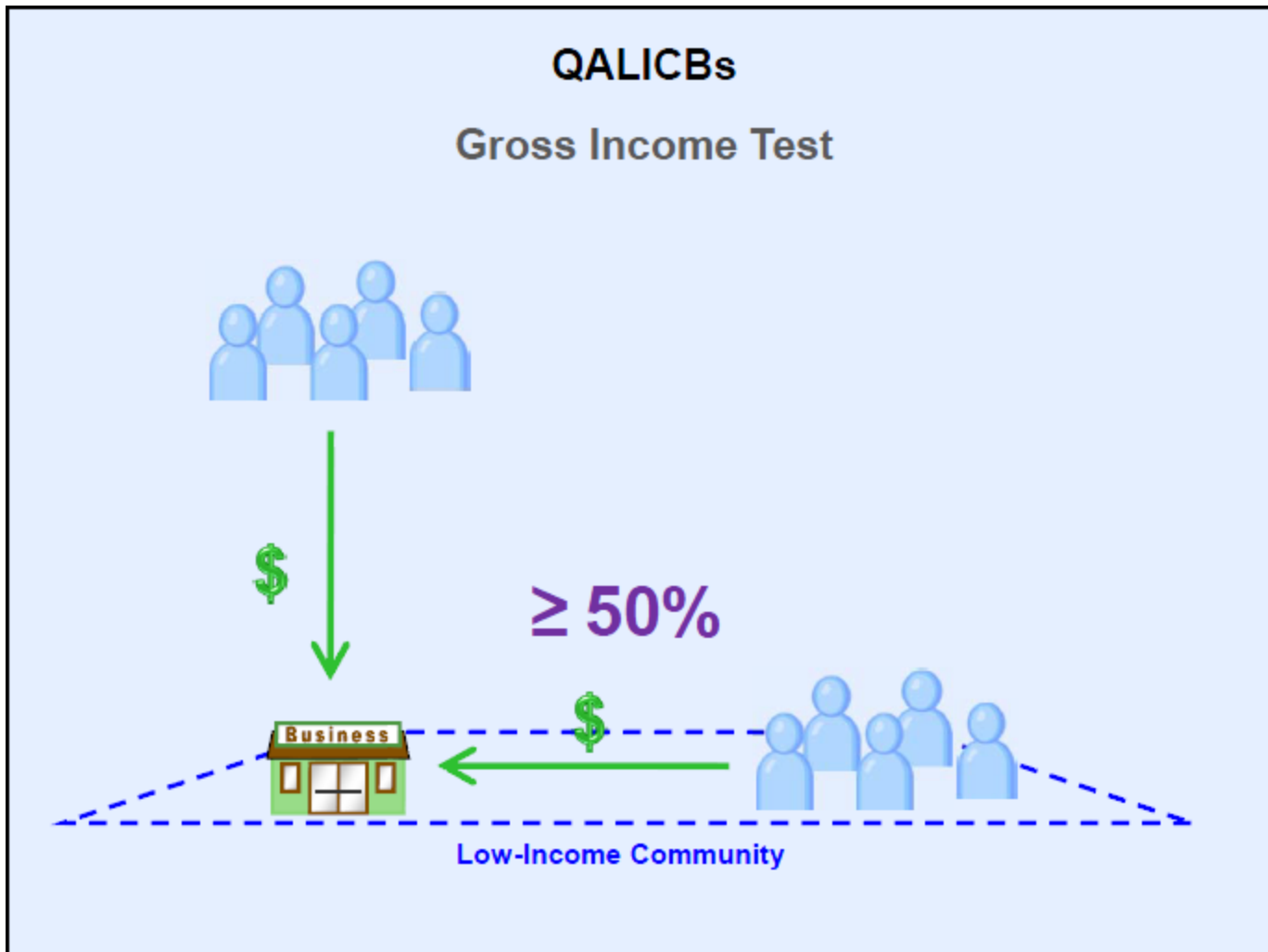
- Must be Qualified
- Must be Active
 - QALICB must be a Corporation or a Partnership for Federal Income Tax purposes
- Must be located in a Low-Income Community

Qualified Active Low-Income Community Businesses (QALICBs)

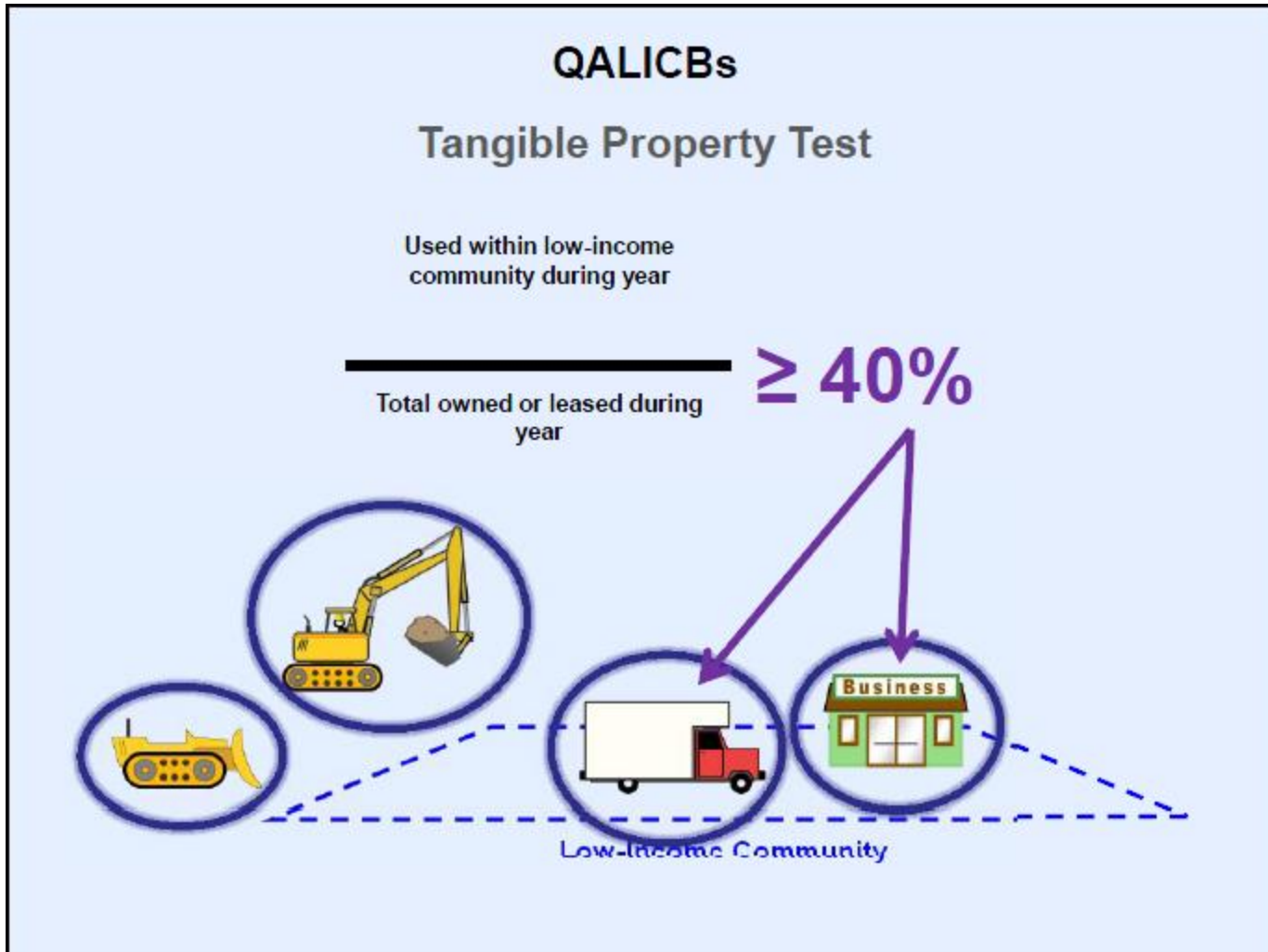
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- Any corporation or partnership (including nonprofits) engaged in the active conduct of a qualified business that meets 1 of 3 requirements:
 - Gross Income
 - Tangible Property
 - Services Performed
- Must meet the applicable QALICB requirements throughout the 7-year credit period

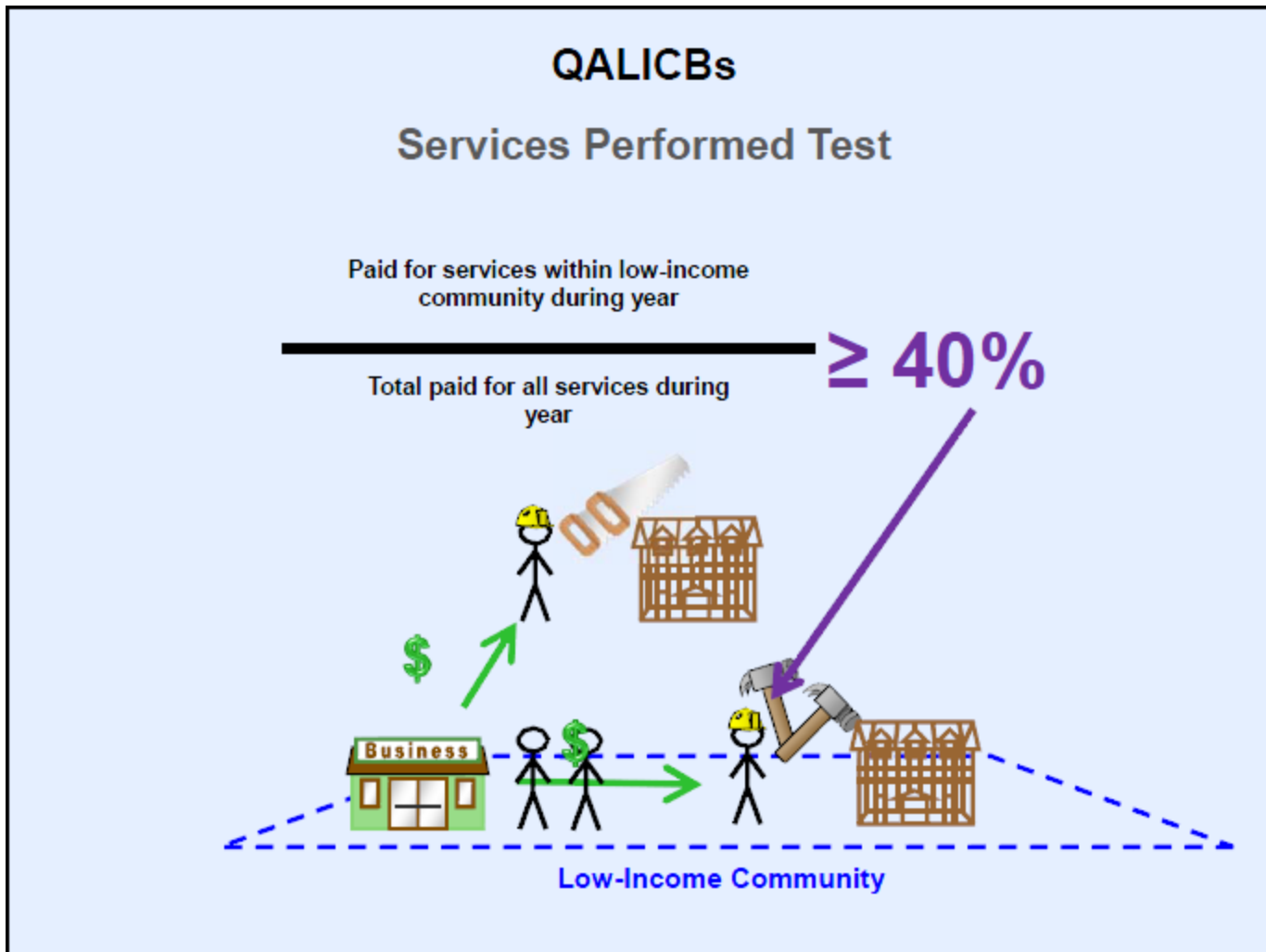
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- A business which operates:
 - a country club
 - golf course
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Excluded businesses:

- Certain farming businesses
- Residential rental property (building which derives 80% or more of gross rental income from dwelling units)
- Substantial Improvements must be located on the property (no raw land)

Projects Containing Housing

Two alternatives:

1. Bifurcate ownership of commercial uses from residential uses
2. Non-residential revenues are 20% or greater of total project gross revenues
 - Commercial space > residential space
 - Residential rents < commercial rents

Example:

- Mercado del Barrio

Qualified Active Low-Income Community Businesses (QALICBs)

Two types of Active Business

- For Profit
 - Revenues within 3 years
- Non Profit
 - Provide services within 3 years

Qualified Active Low-Income Community Businesses (QALICBs)

Low Income Communities are census tracts:

- Where poverty rate exceeds 20% or
 - Where median income is below 80% of the greater of:
 - Statewide median income or
 - Metropolitan area median income
- Use this interactive tool to determine census tract eligibility:
http://www.novoco.com/new_markets/resources/map2_popup.php

New Market Tax Credit Program

- Civic Applied to become a Community Development Entity (CDE) with the U.S. Treasury's CDFI Fund in the summer of 2012.
 - Formed the Civic San Diego Economic Growth and Neighborhood Investment Fund, a certified Community Development Entity (CDE).
 - Formed an Advisory Board
 - Applied for a NMTC allocation of \$65 million
 - Received \$35 million in allocation authority.

Advisory Board

Members:

Name	Organization	Neighborhood Represented	LIC Resident?
Joel Roberts	PATH	Downtown	Yes
Jody Carey	Community Activist	City Heights	Yes
Jennette Lawrence-Shay	Family Health Centers of San Diego	Southeastern San Diego	No
Peter Callstrom	San Diego Workforce Partnership	City Heights	No
Cruz Gonzalez	San Diego Media Arts Centre	Southeastern San Diego/North Park	No
Richard Lawrence	Affordable Housing Activist	Southeastern San Diego/City Heights	Yes
Diane Moss	Project New Village	Southeastern San Diego	No

Advisory Board

- The *advisory board* is intended to:
 - Provide advice and recommendations on the deployment of NMTC funds
 - Recommend procedures to ensure greatest possible public participation
 - Represent various areas of interest and expertise such as affordable housing, economic development and neighborhood revitalization
 - Represent the LICs targeted by the CDE

Civic San Diego's NMTC Goals

With it's allocation, CivicSD:

- Strives to create the biggest possible impact to San Diego's most underserved communities.
- Strives to create well-paying, permanent jobs.
- Strives to bring currently unoffered goods and services to these communities.
- Strives to invest in projects that will be catalytic in the revitalization of communities, stimulating further investment.

Rules of Thumb

To make the deal pencil:

- NMTCs make up no more than 20% of capital stack
- Total capital cost of \$8 million or greater
 - Can include cost of land (even if previously purchased)
- 100% commercial use preferred

Underwriting Process

CivicSD requires QALICB to submit Application:

- Applicant Info
- Project Description
- Community Impact
- Financing Info
- “But For” Test
- Project Timing

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- Applicant Info
- Project Description
- Community Impact
- Financing Info
- “But For” Test
- Project Timing
 - Readiness to Close Summer/Fall 2014

2012 Pipeline Projects

- Family Health Centers – Clinic/Tech & Training Facility
- Ocean Discovery Institute – Educational Facility and “Living Lab”
- Jackie Robinson YMCA – Recreation Center
- San Diego Public Market – Food Market and Educational Facility
- Second Chance – Work Readiness Training Program /Prisoner Reentry Employment Program
- Valencia Business Park – Mixed Use Center

Next Round Pipeline Projects

- CivicSD staff is reaching out to community groups for ideas
- Please submit all projects for vetting to Daniel Reeves:
 - reeves@civicsd.com – (619) 533-7158

Thank You

Q & A

Additional Information and Definitions

All You Need to Know

Community Development Entities must use **Substantially All** of the proceeds from **Qualified Equity Investments** to make **Qualified Low-Income Community Investments** in **Qualified Active Low-Income Community Businesses** located in **Low-Income Communities**.

All You Need to Know

- **Community Development Entities** must use...
- **Substantially All** of the proceeds from...
- **Qualified Equity Investments** to make...
- **Qualified Low-Income Community Investments** in...
- **Qualified Active Low-Income Community Businesses** located in...
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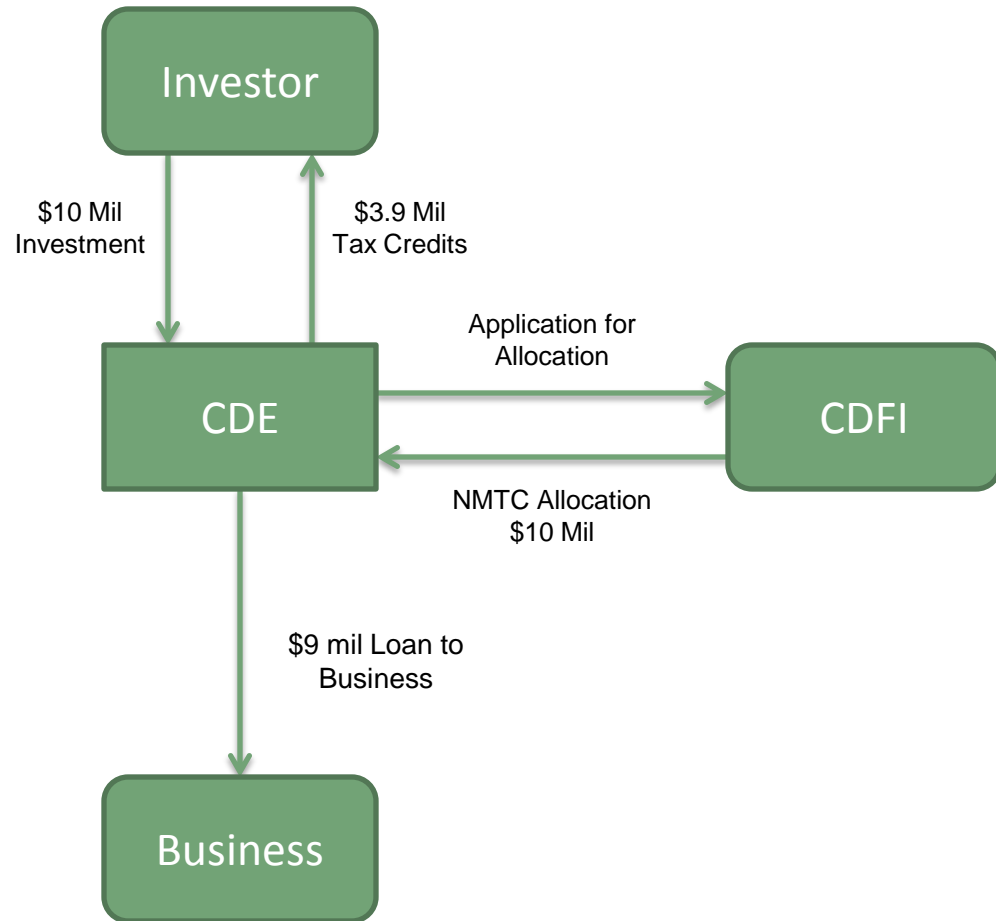
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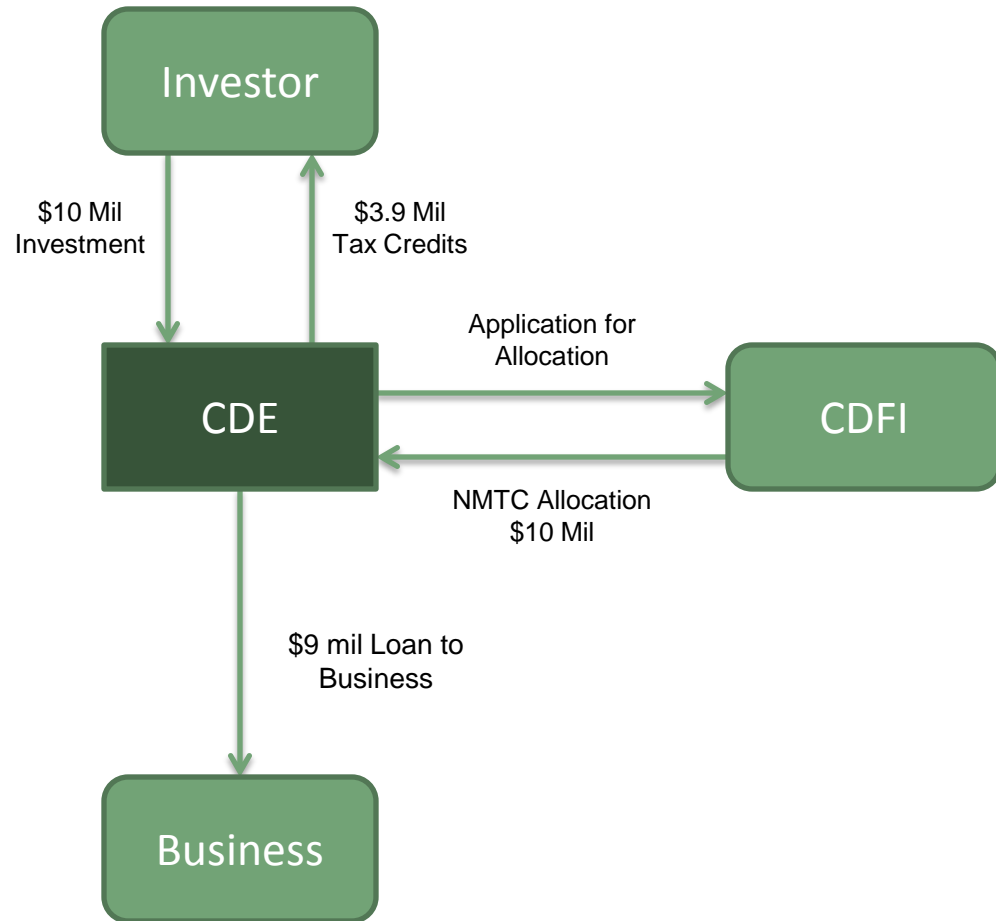
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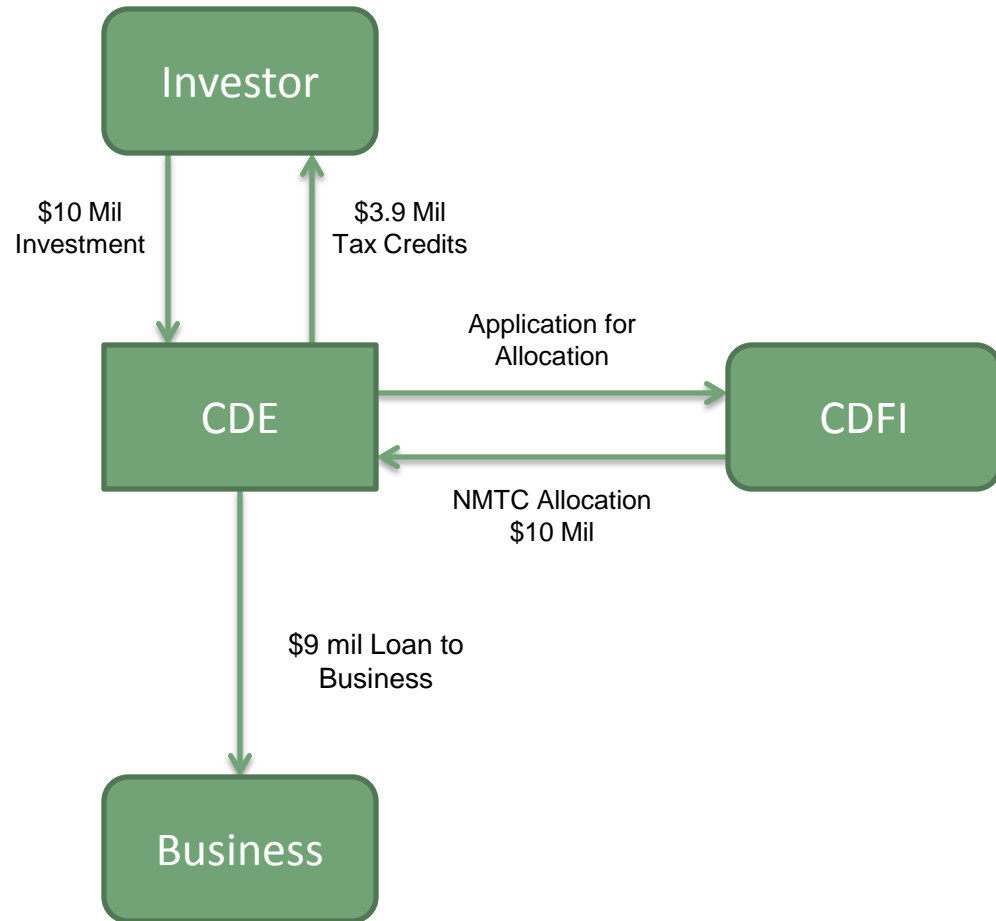
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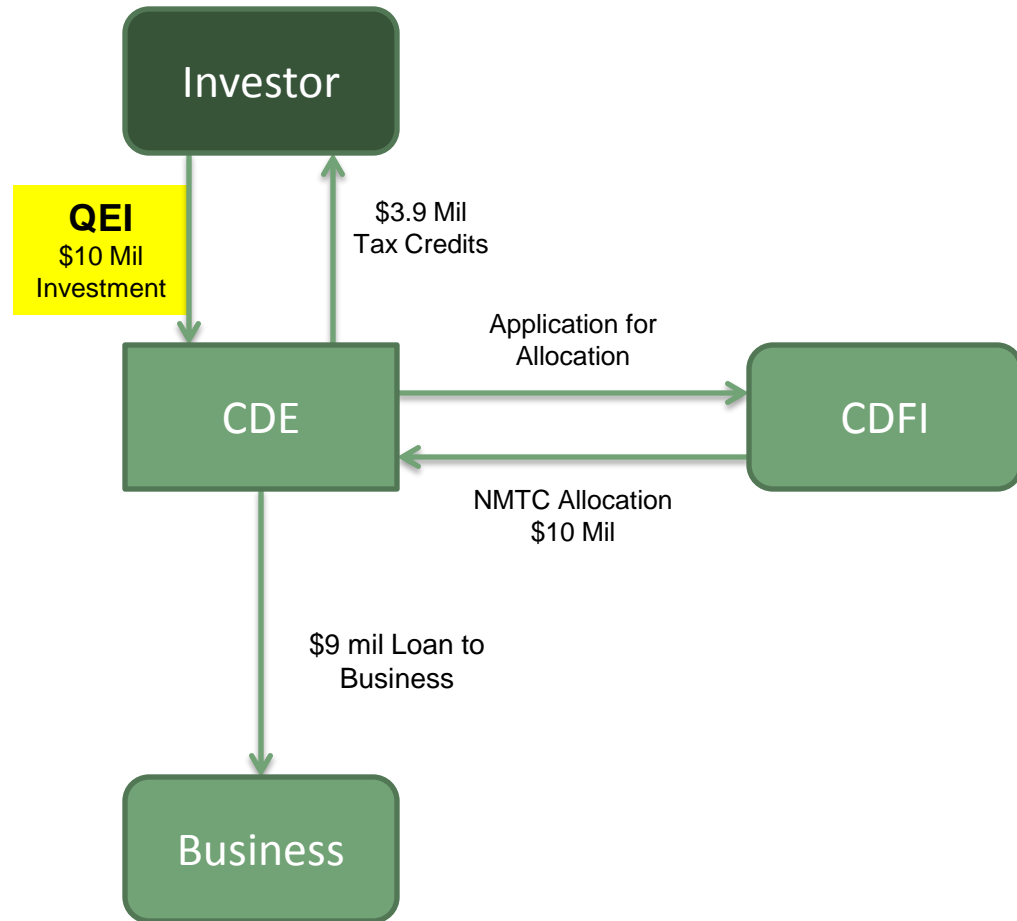
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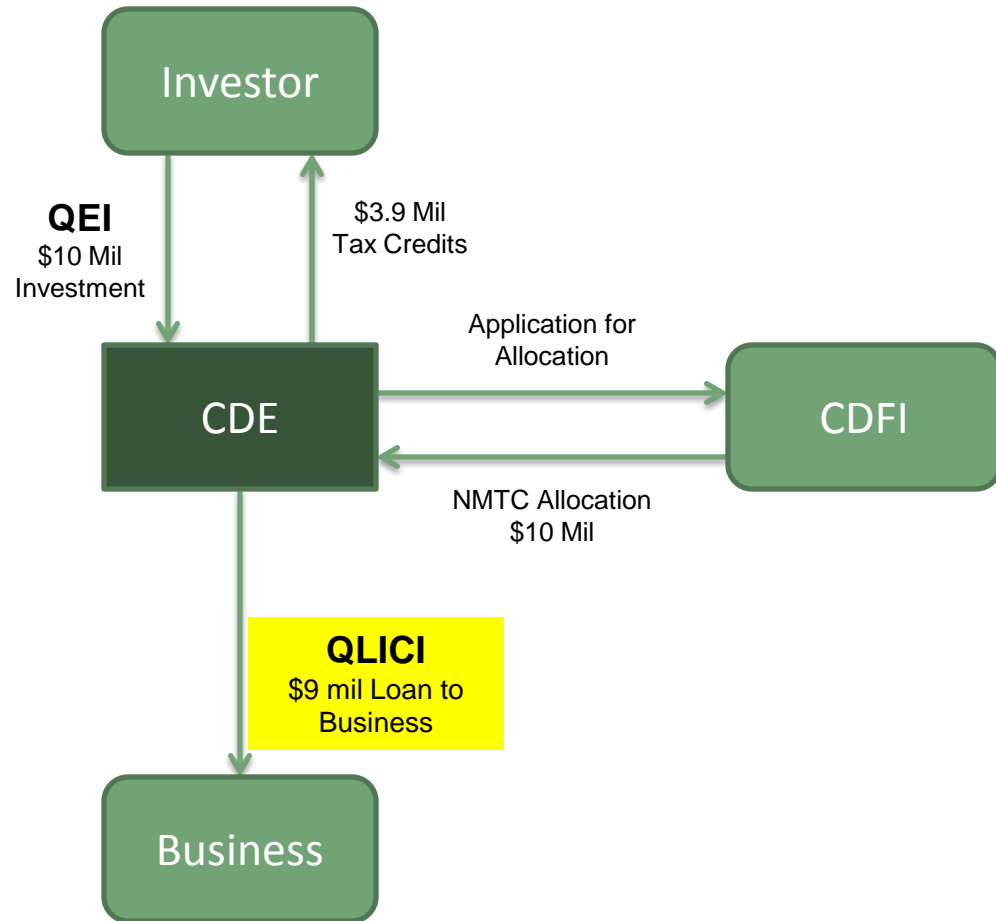
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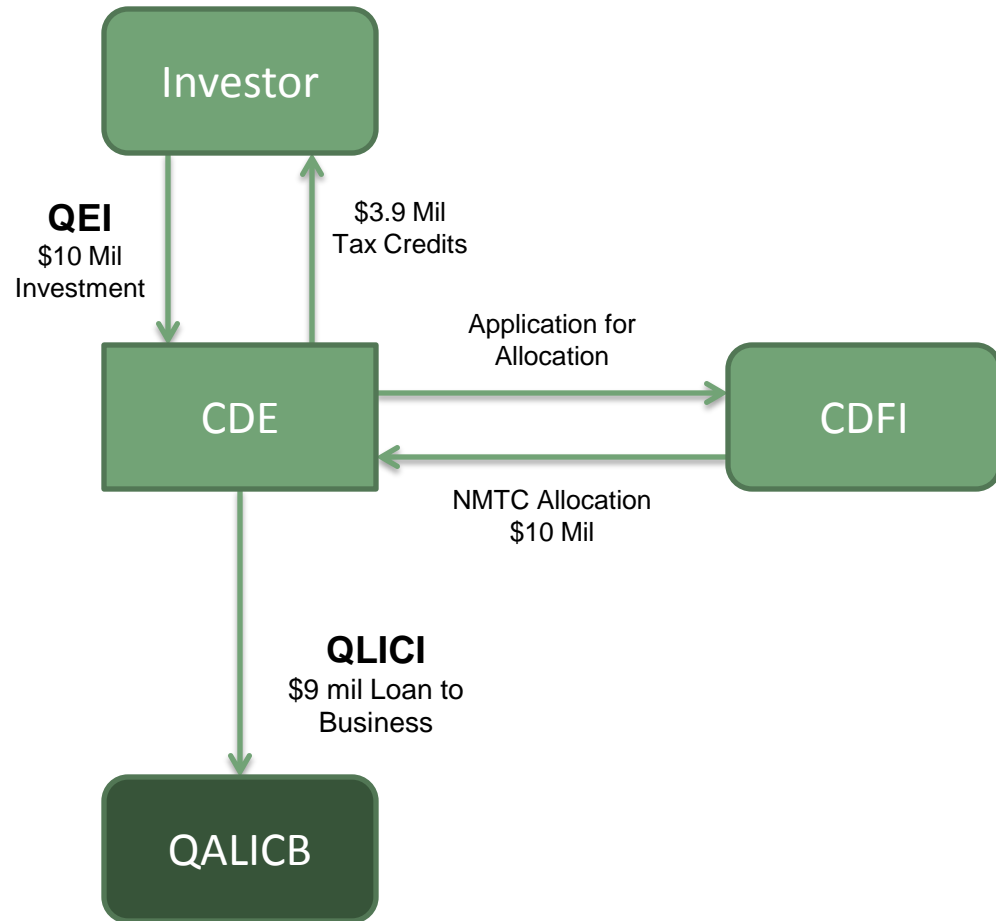
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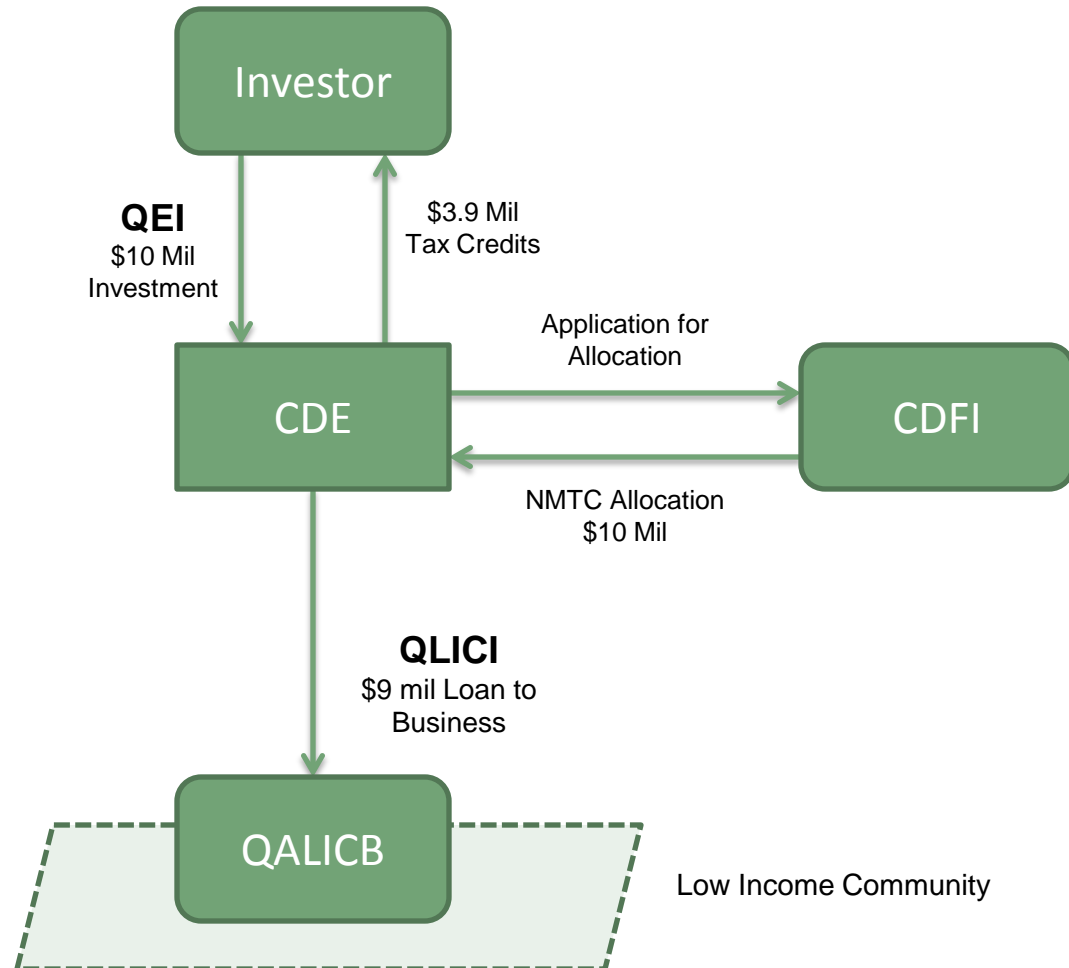
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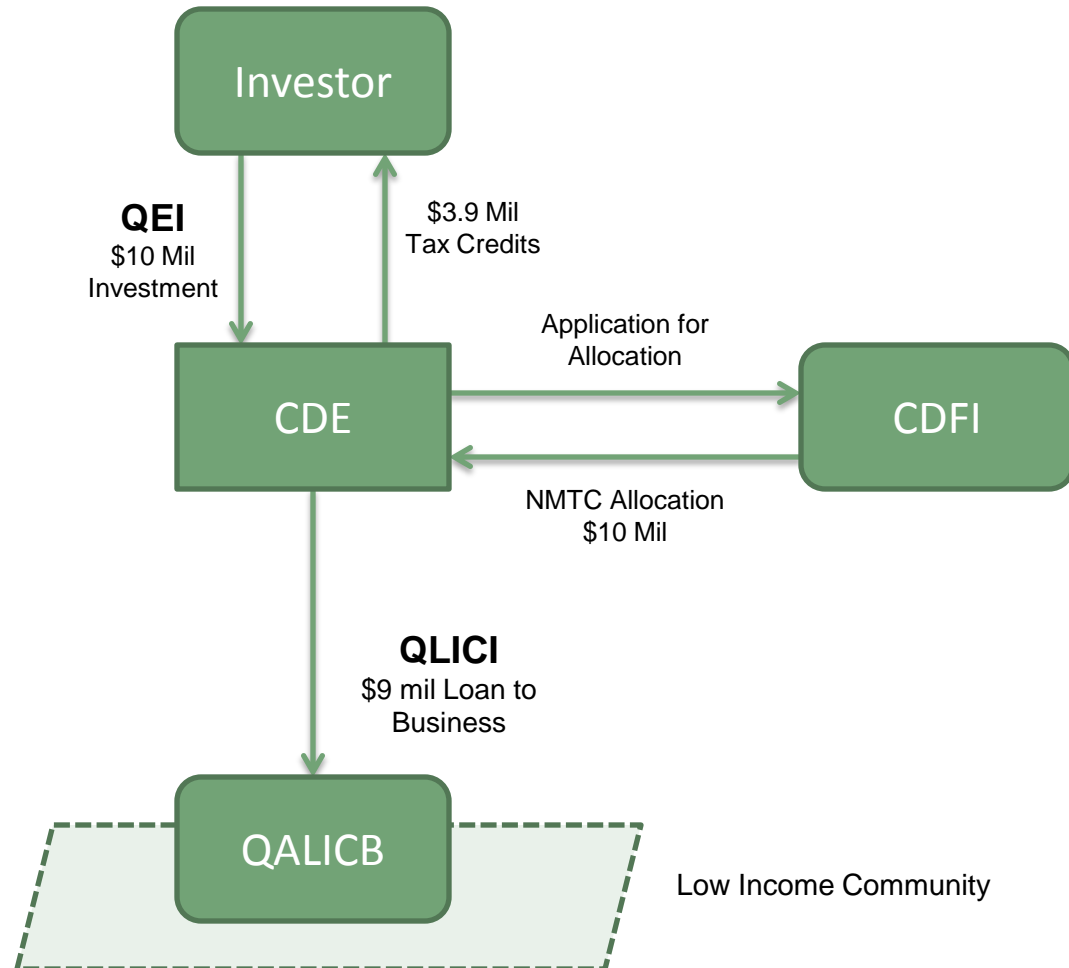
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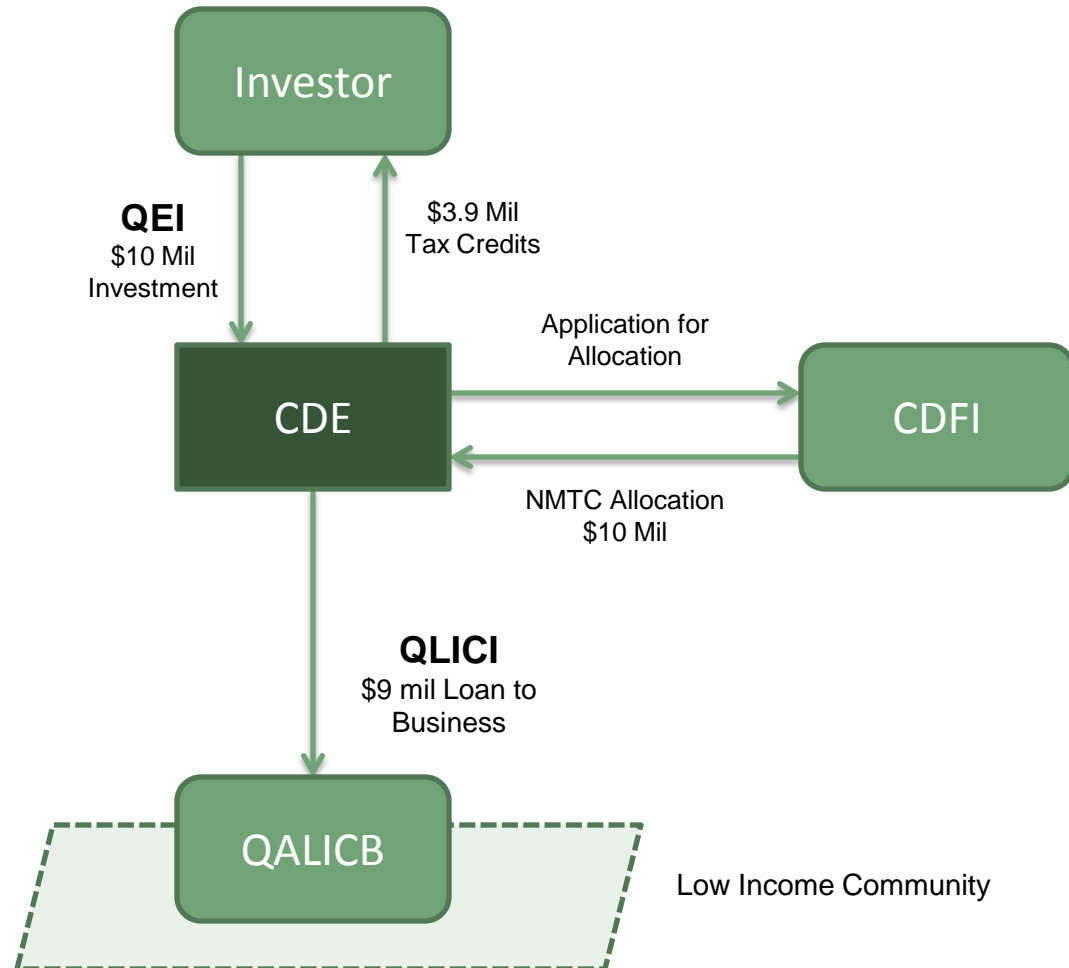
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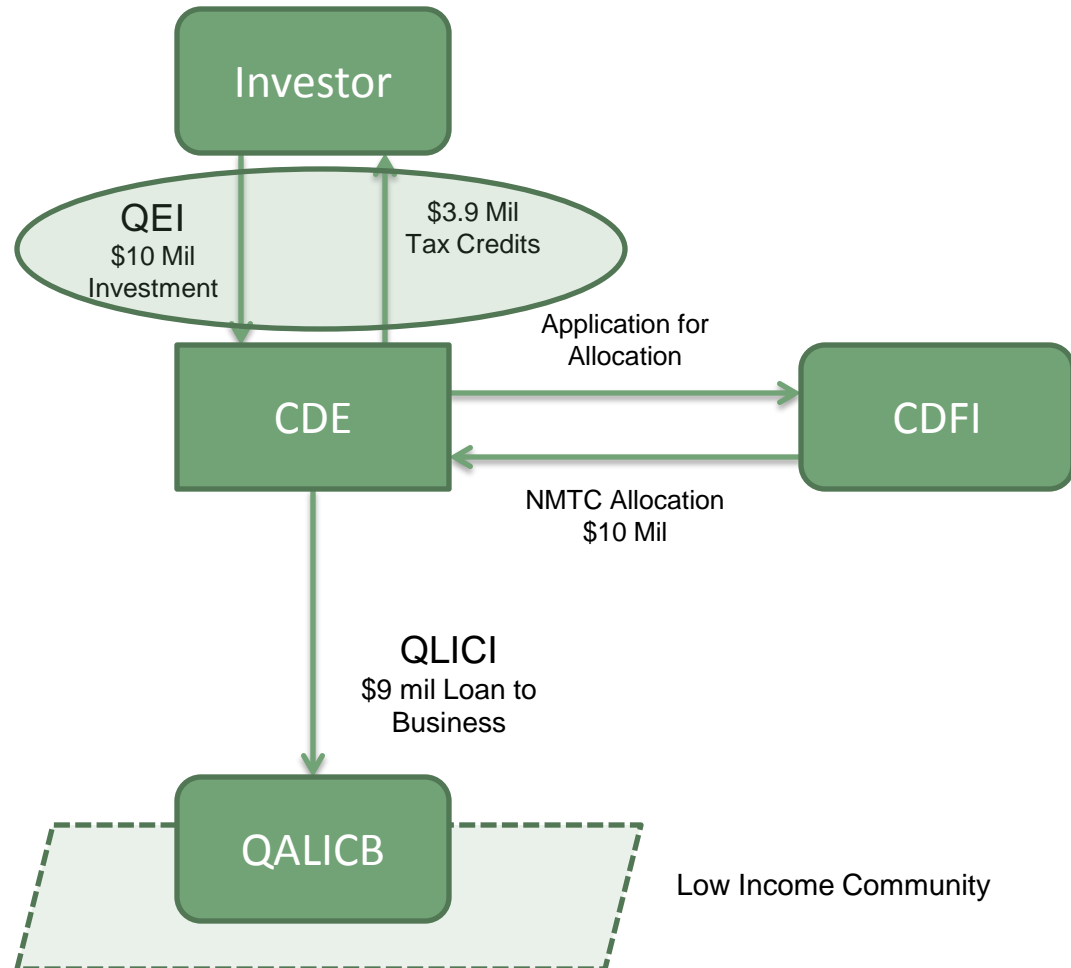


Community Development Entities

- Definition
 - Community Development Entities (CDEs) must:
 - Have a primary mission of community development;
 - Maintain accountability to residents of low-income communities through their representation on any governing board or advisory board;
 - Be certified by the CDFI Fund
 - Be a domestic corporation or partnership (including LLCs)

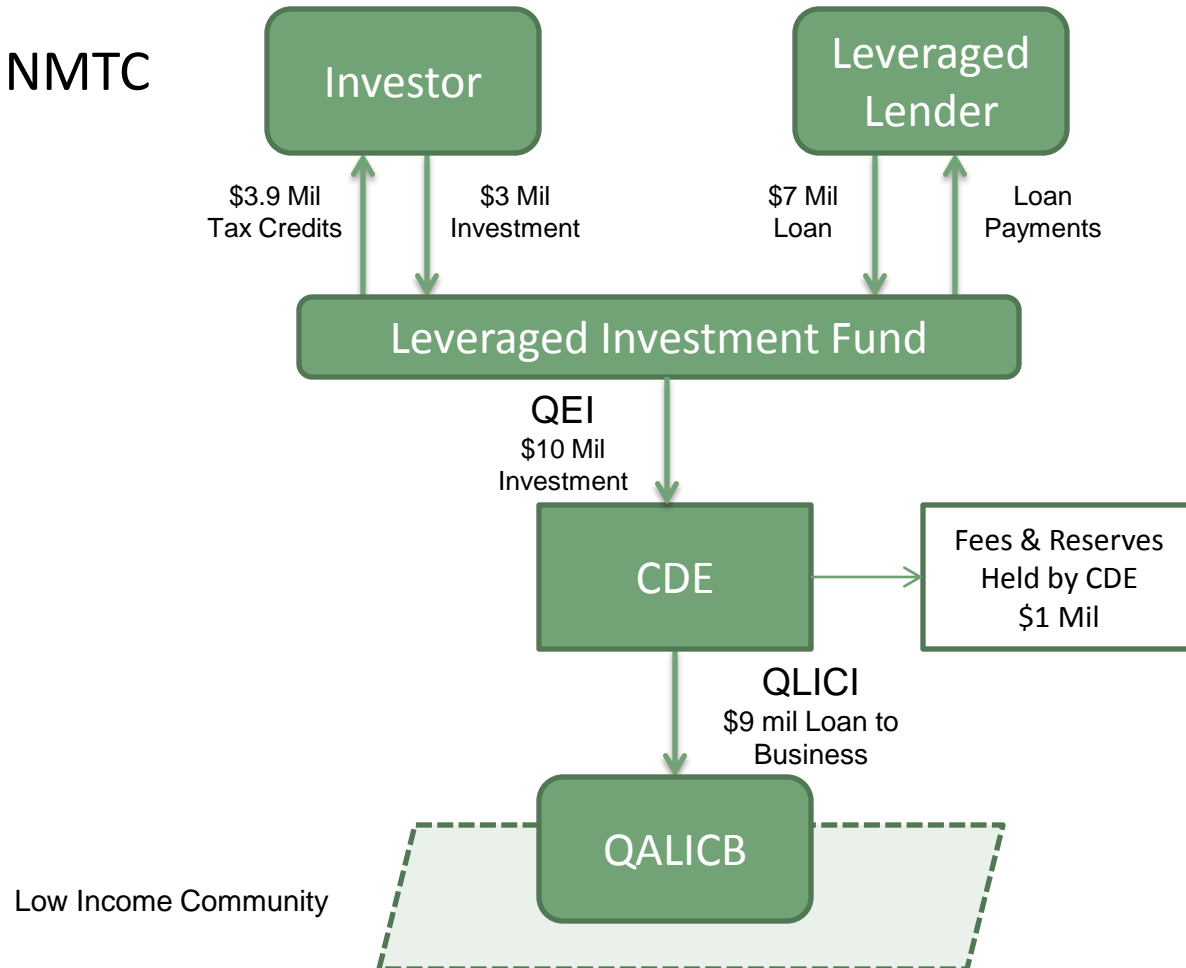
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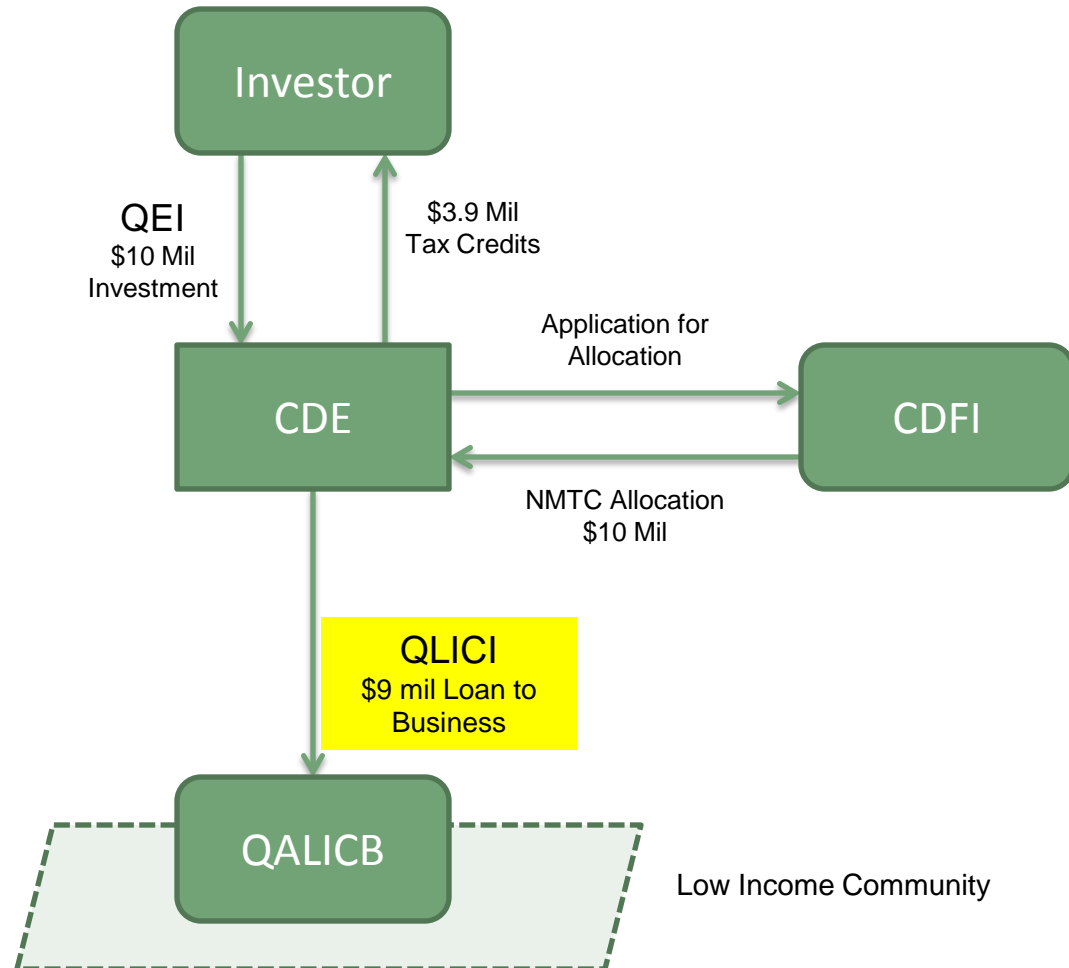
Qualified Equity Investments (QEI)

Simplified Example of an NMTC investment



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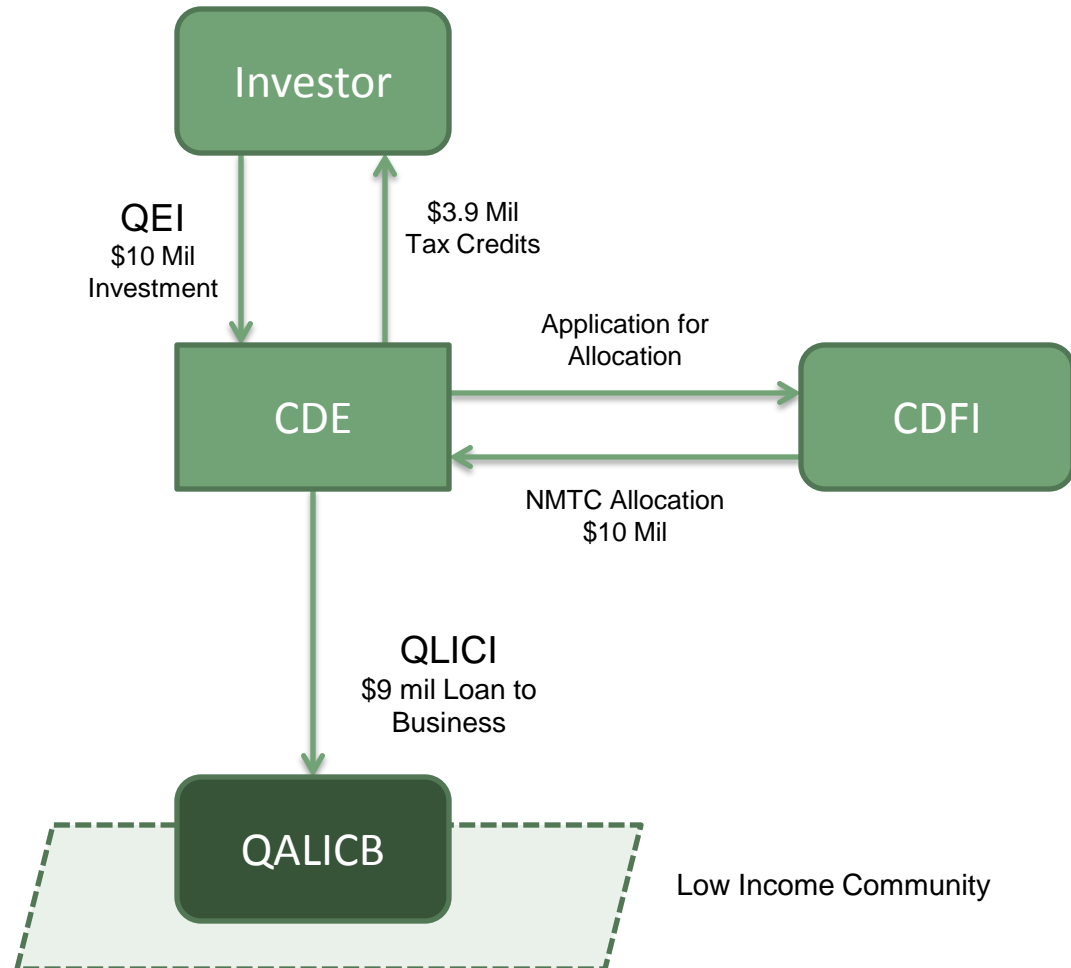
Qualified Low-Income Community Investments (QLICI's)

Qualified Low-Income Community Investments include:

- Any **capital or equity investment** in, *or loan to*, any Qualified Active Low-Income Community Business in a Low-Income Community (to be covered later);
- The **purchase** by a CDE (the NMTC CDE) from another CDE **of any loan that is a QLICI**, which means that it qualified as a QLICI either
- **Financial counseling** and other services (e.g., advice regarding organization and operation) to Qualified Active Low-Income Community Business, and residents of, Low-Income Communities.

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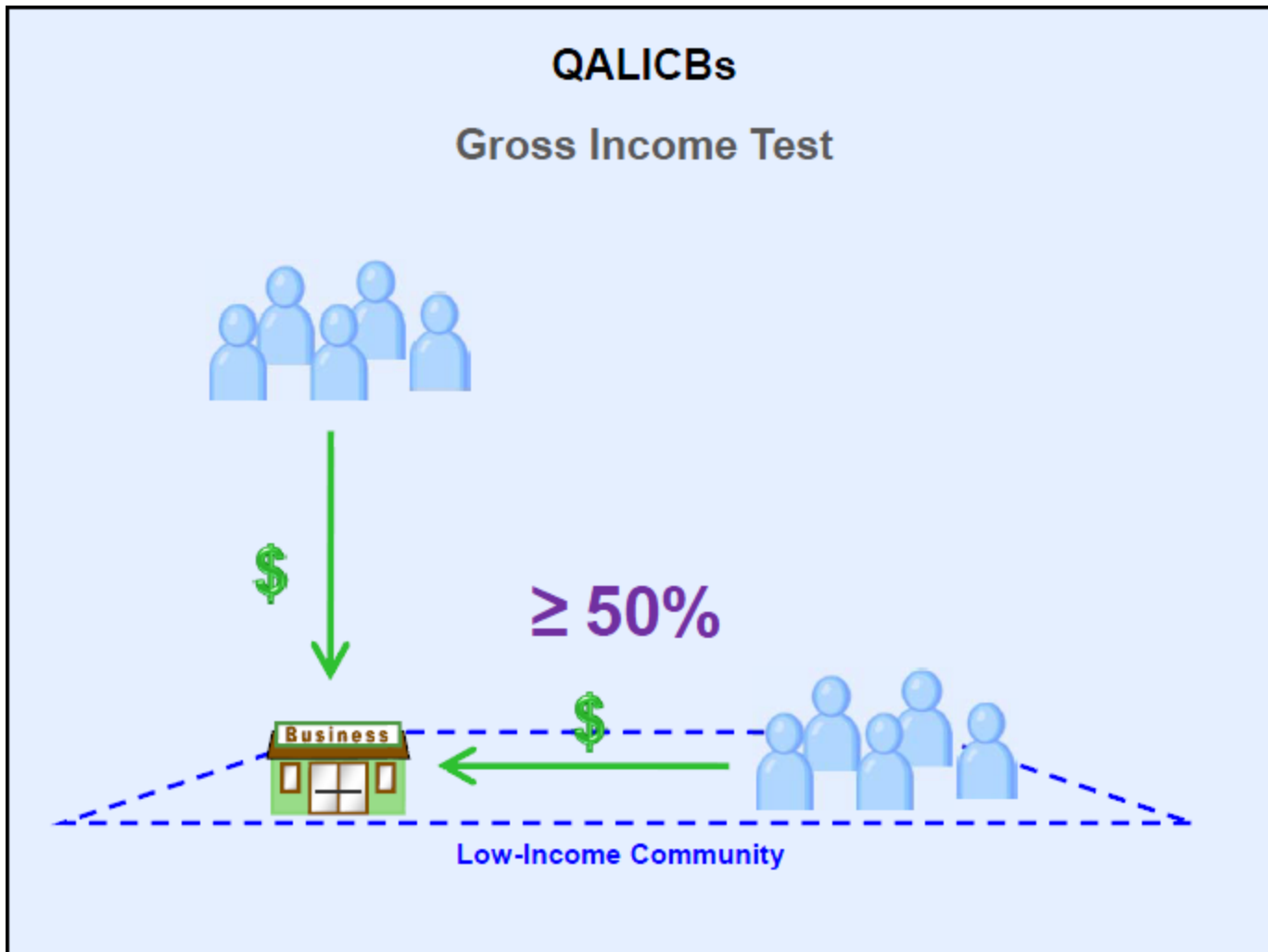
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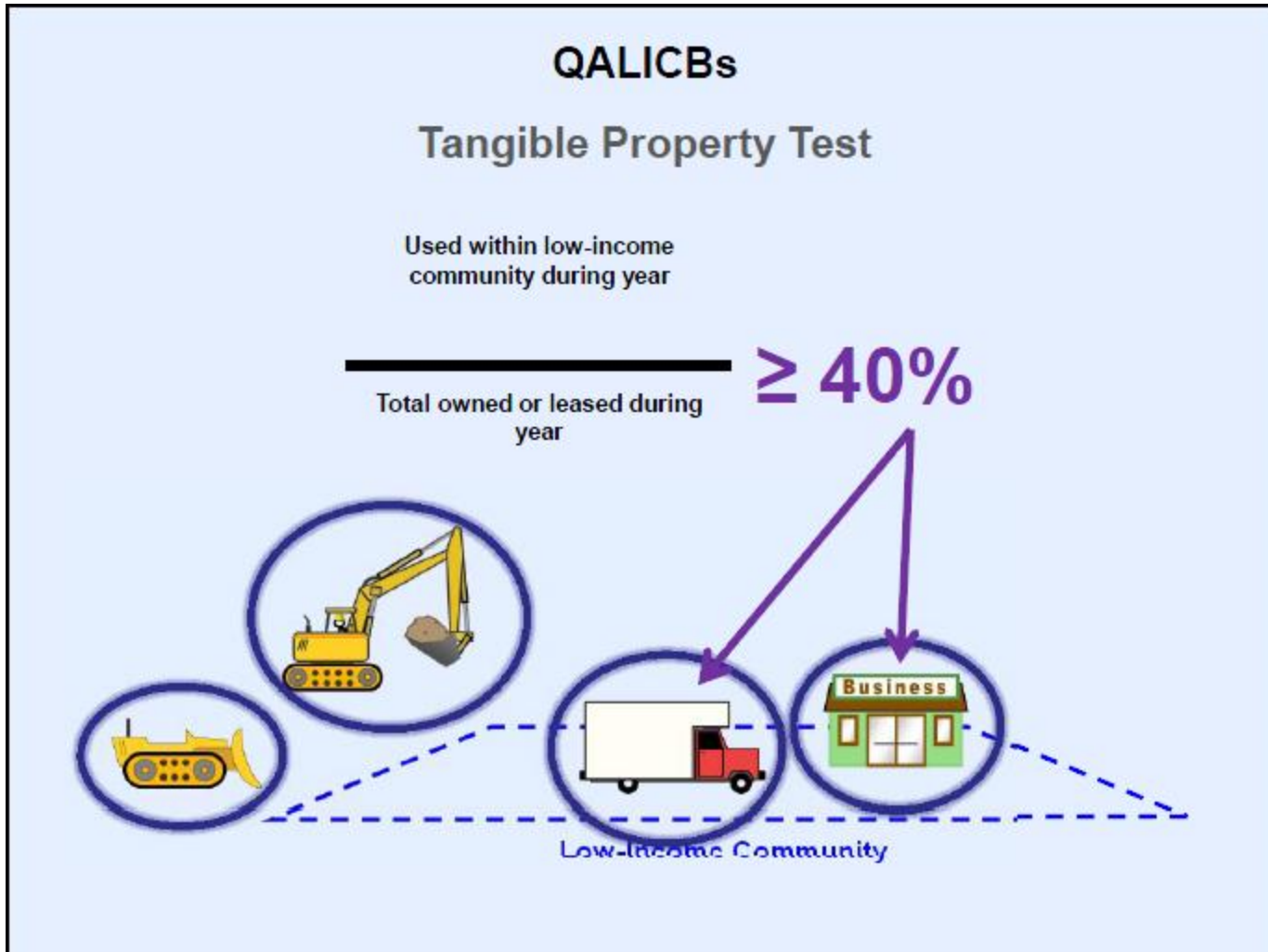
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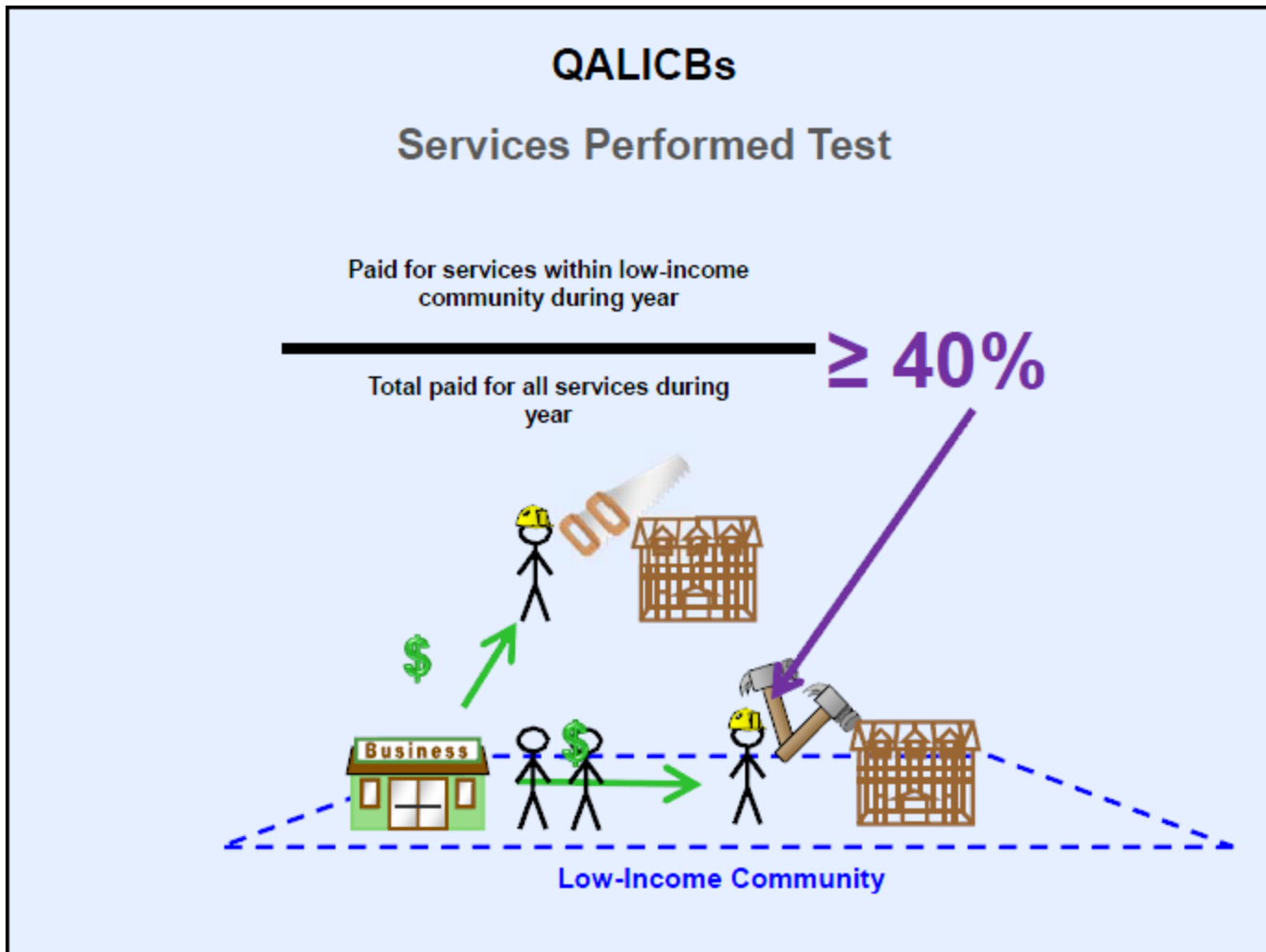
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