

# BANKER & TRADESMAN

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COMMUNITY AFFAIR

Boston Community Capital installed solar panels at the Greater Boston Food Bank using its NMTC allocation.



Photo by Marilyn Humphries

## INVESTING IN NEW MARKETS

### Local Development Orgs Put Federal Tax Credits To Work

BY LAURA ALIX  
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A teen center for at-risk youth in Lowell, a supermarket in Dudley Square and a data center in Holyoke are some of the projects that might not have gotten off the ground without help from a federal program designed to promote private investment in low-income communities.

The New Markets Tax Credit (NMTC) program was introduced in 2000 to help

spur investment in low-income communities and is administered to designated Community Development Entities (CDEs) through the Treasury Department's Community Development Financial Institution (CDFI) Fund. CDEs can then offer these tax credits to investors in exchange for equity in the CDE. The investor gets to write off 39 percent of that investment on his or her taxes for the next seven years, and the CDE uses the capital to make loans and investments in low-income communities.

Since the program's inception, the CDFI

Fund has awarded \$40 billion in tax credit authority to CDEs through a competitive application process. It estimates the program has helped to create or retain more than 358,800 jobs and has supported the construction of 17.1 million square feet of manufacturing space, 49.4 million square feet of office space and 42.7 million square feet of retail space.

In June, the Treasury awarded another \$3.5 billion in new markets tax credits. Locally, AI Wainwright LLC (a partnership between Affirmative Investments and

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Wainwright Bank) received \$38 million, Boston Community Capital \$40 million, and the Massachusetts Housing Investment Corp. (MHIC) \$60 million, the highest amount awarded to any entity in the latest round of awards.

### Building Capital, Building Communities

“What’s good about it is that it provides about 25 percent of the capital needed to build something. Often it’s hard to build in low-income neighborhoods. The values aren’t there, but the costs are the same, so it’s a really good tool,” said David Ennis, president of Affirmative Investments.

Nonprofits like the program because they say it helps fund a key component of economic development that’s often lacking in low-income neighborhoods – community development. Affordable housing is necessary, of course, but the people living in those homes also need grocery stores, community centers and schools. The New Markets Tax Credit program helps make that happen.

“We’d been doing affordable housing for about a dozen years and we realized there was more that was needed to really revitalize and stabilize these neighborhoods,” said Joe Flatley, president and CEO of MHIC. “It’s trying to really create and support a whole community, which needs stores and businesses and jobs and economic opportunity.”

Boston Community Capital, for instance, has a threefold use for the tax credits, CEO Elyse Cherry said. The non-profit uses the tax credit, lends against it and then uses the fee income generated from selling the tax credit to help fund new businesses. Boston Community Capital was able to jumpstart the Stabilizing Urban Neighborhoods (SUN) initiative with fees generated from the program.

“We’ve now done, plus or minus, \$75 million worth of mortgage lending and kept close to 500 families in their homes. We were able to get that business going from the fees that we collected,” Cherry said. “If you can take a government dollar and turn it into three, that’s way better than having a government dollar that stays as one.”

In addition to the tax write-off, investors can also earn Community Reinvestment Act credits by investing in the program. Eastern Bank, which participates in the program both as a lender and an investor, does earn some CRA credits when it makes an investment within its assessment area, said Gary Leach, senior vice

president and head of community development lending, though he adds that that’s not the only reason he bank participates in the program.

“There are many health centers and many schools that wouldn’t have been built without the program,” he said.

### All Signs Point To Yes

While the Treasury did award \$3.5 billion more in new markets tax credits earlier this summer, those awards were actually part of the 2013 NMTC program. The program itself expired in January and must be extended by Congress. Though it does have broad support and its advocates are optimistic it will be renewed, a bipartisan bill that would have permanently added it to the internal revenue code did not make it out of Congress.

Still, Flatley says it would make sense for the NMTC program to be made per-

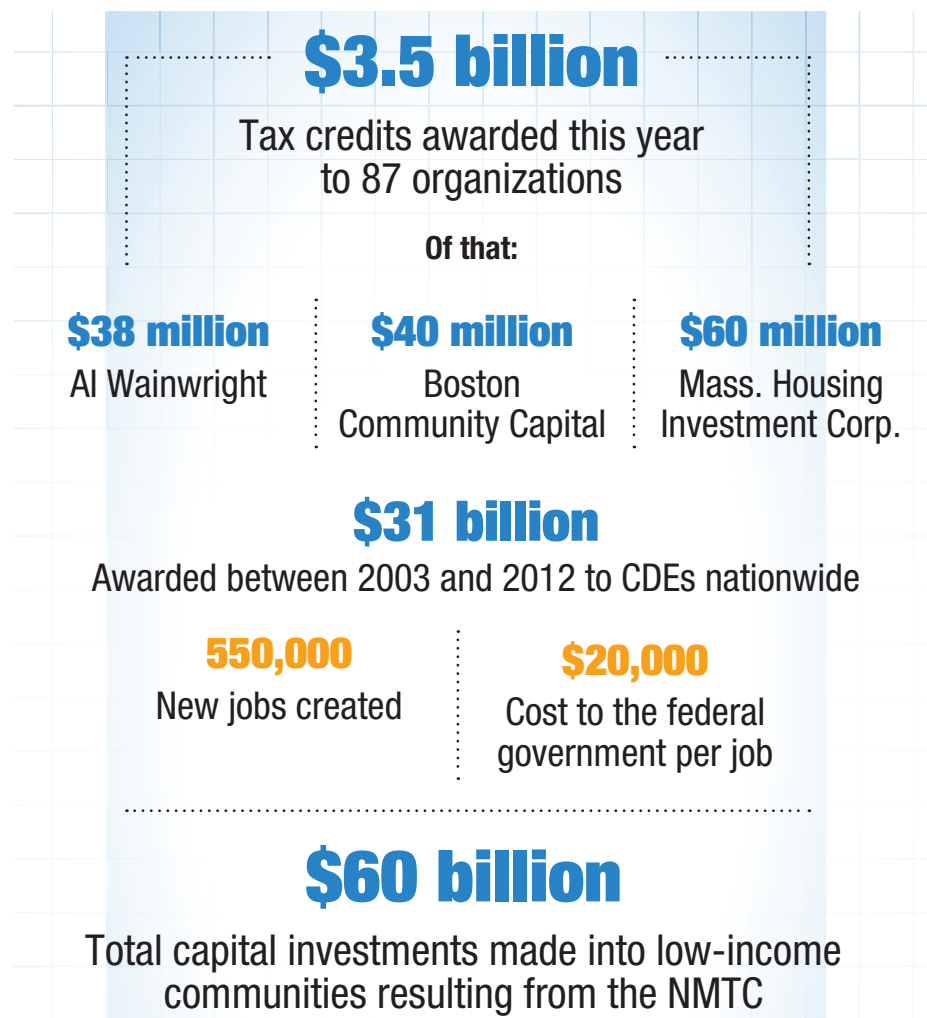
manent and says he and others have advocated for lawmakers to do so. He also said it would make sense to bump the program up to \$5 billion.

In its inception, the program funded \$3.5 billion worth of tax credits per allocation round, but the stimulus package increased that to \$5 billion in 2008 and 2009. The need, he said, is certainly there.

“At the \$5 billion level the program was fully utilized,” Flatley said. “We have demand for probably two to three times the projects we’d like to allocate.”

While the program hasn’t yet been extended, its supporters are optimistic that it will be, and that optimism apparently extends upward into the reaches of the federal government. Last week, the Treasury Department released an application for the next round of credits. ■

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