Housing Action Illinois
October 2, 2014

New Markets Tax Credit
NMTC Benefits

• Interest Only for 7 Years

• Favorable Rate

• Unwind “Unlocks” Equity
Mechanics 1: Allocation Process

- CDE, not Borrower, applies for Allocation
- Allocation is not project specific
- Highly competitive
Mechanics 2: NMTC “Basis” is Investment

• Credits result from Investment, not project costs
• Credit = 39% of Investment over 7 years
• Investment known as “QEI”
Mechanics 3: NMTC Enhanced Loan (QLICI)

- Debt not Equity
- No Investor or CDE Ownership of Borrower
Mechanics 4: Leveraged Structure

- Leverage Lender
  - $2MM
  - $3MM QEI
  - $3MM QLICI

- Fund
  - NMTC $1,170,000

- Investor
  - $1MM

- CDE

- QALICB
Mechanics: Unwind “Put”

Leverage Lender → Interest in Fund

Investor

Fund

CDE

$3MM QLICI

QLICI Fund

Lender Interest in Fund QALICB
Who Qualifies as a Borrower? (QALICB)

• Located in Low Income Community
• Commercial, Industrial, Institutional, Non-Profit Projects
• Is an Active Business (Revenue Generating)
• Not Residential Rental
• Not a “Sin” Business
How do I find NMTC?

• Talk to CDEs that service your area – list at: cdfifund.org/awardees/db/index.asp

• Attractive projects have “Impact”: jobs created, services provided, catalyst for development

• Identify leverage sources – closing readiness
OK, but this is a housing conference...

• Housing OK but not “residential rental property” – must have commercial

• No LIHTC building, but can condo with LIHTC

• Complementary development: retail, groceries, health care, schools
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