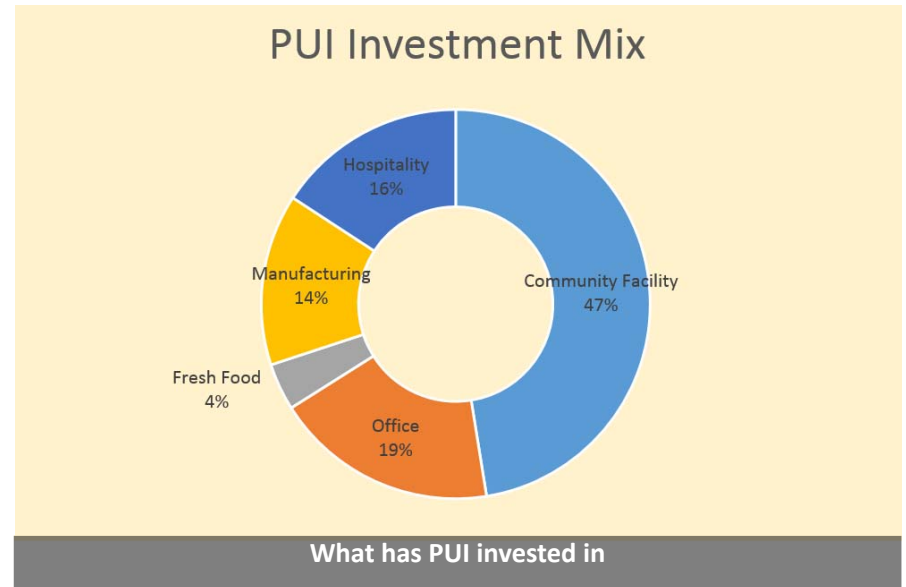




## New Markets Tax Credits Introduction

By: Rebecca Davidson-Wagner



# Pittsburgh Urban Initiatives LLC

# The First Question is do I Qualify?

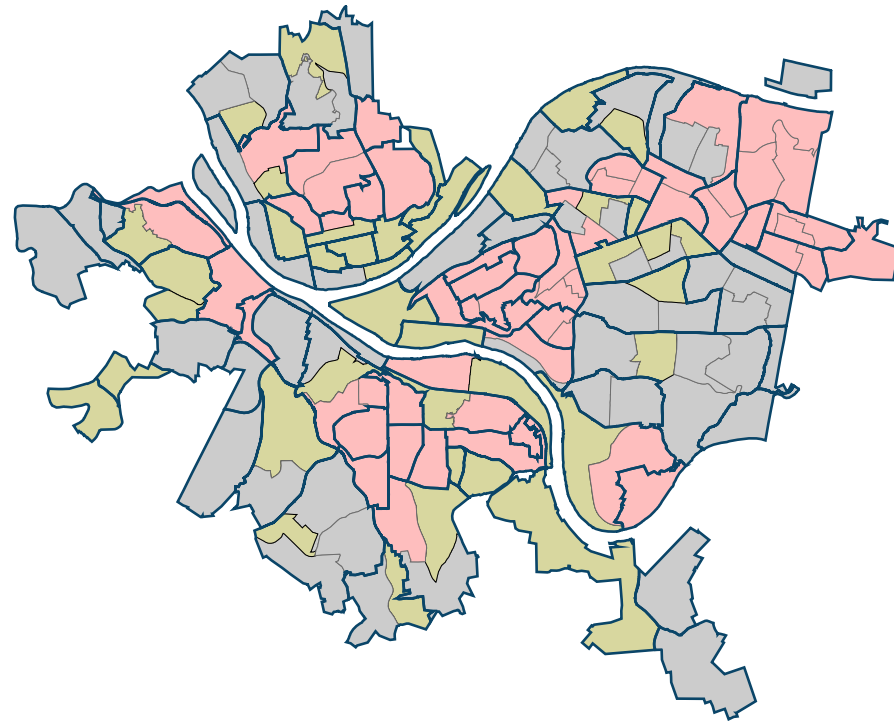
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## Eligibility

- Project is located in a Low Income Community as defined by the CDFI fund
- Borrower can meet the test of being a Qualified Active Low Income Business
- Project can meet the “ But For” test and is a good fit for a Pittsburgh Urban Initiative Allocation

# Pittsburgh Qualifying Census Tracts (2011-2015)

- At least 20% poverty rate
- Median family income does not exceed 80% of area median family income.
- They have a population of less than 2,000, are contained within a Federally designated Empowerment Zone, and are contiguous to at least one other LIC



# Ineligible activities

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Residential rental property as part of total development that derives 80% 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, Liquor stores

# NMTC Case Study: \$10MM Project

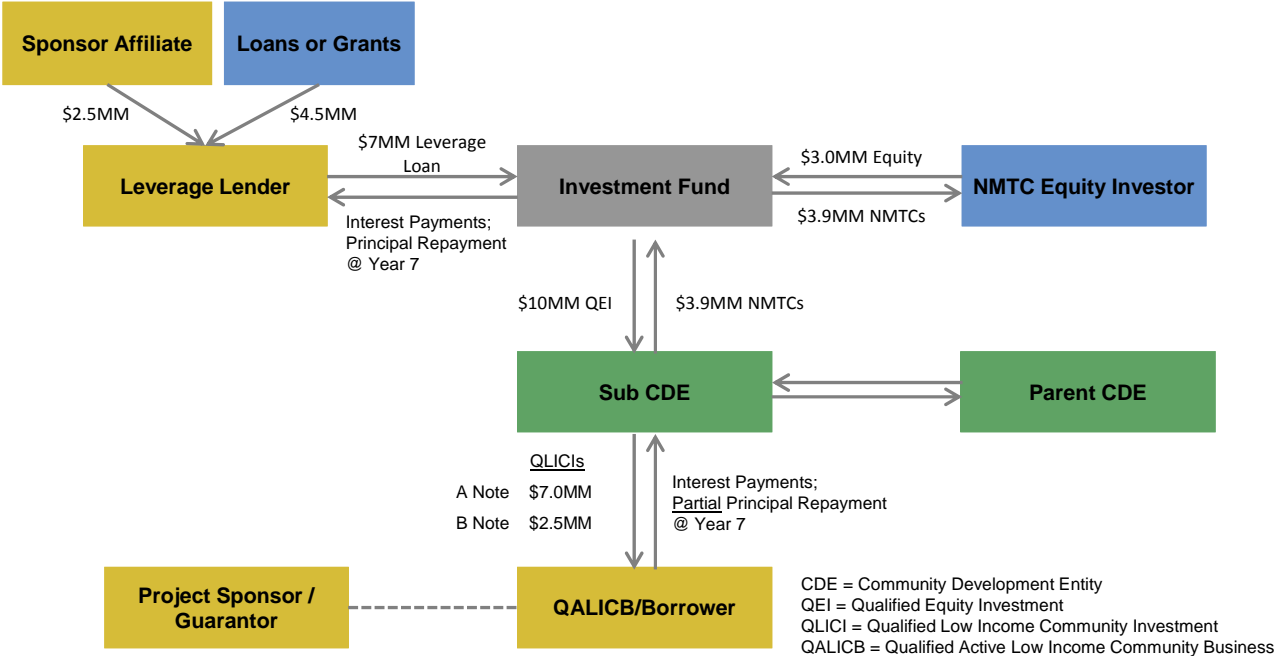
- \$10MM Total Project Cost – building a new facility or purchasing new equipment
- Meets all the NMTC requirements making it eligible for NMTC financing
  - Low Income Community
  - Strong Community Impacts

Project Sources		Project Uses	
Sponsor affiliate capital	\$2,500,000	Site Acquisition	\$3,100,000
Loans or Grants	\$4,500,000	Hard Constr. Costs	\$5,200,000
		Soft Costs	\$1,200,000
<b>Total:</b>	<b>\$7,000,000</b>	<b>Total:</b>	<b>\$9,500,000</b>
<b>GAP:</b>	<b>\$2,500,000</b>		

*\*Numbers above are intended for purposes of an example only*

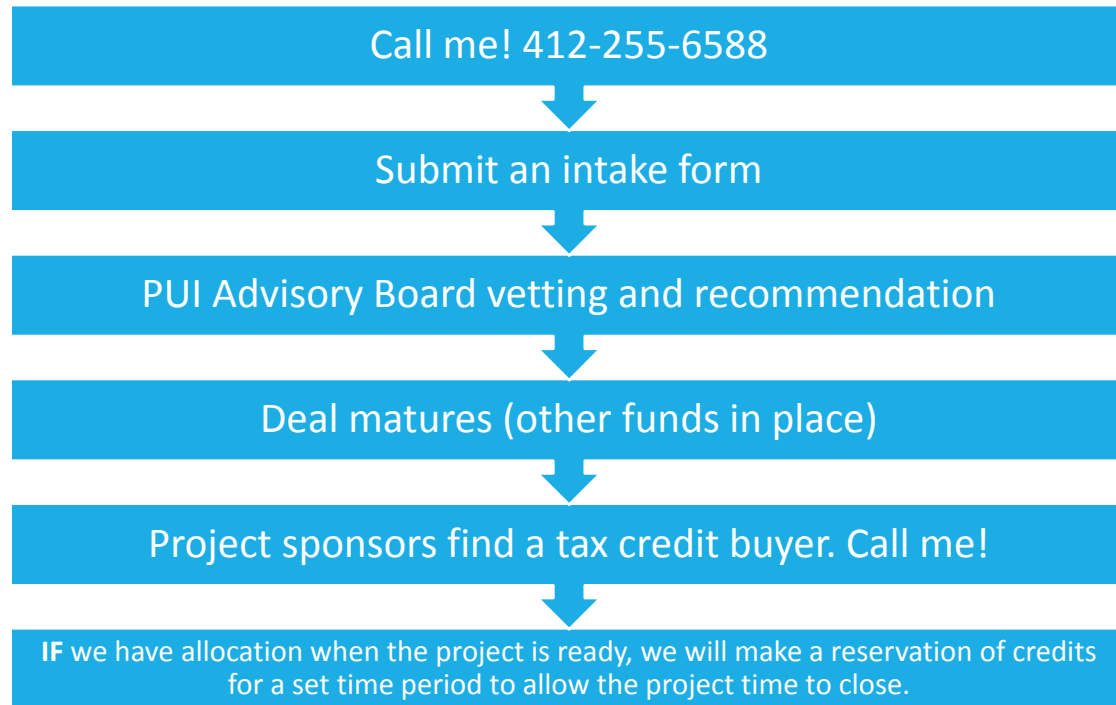
# NMTC Case Study: \$10MM Project

Working With 3<sup>rd</sup> Party Allocatees – Leverage Model Structure



# PUI Process

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# Criteria for selection

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## Compelling- Catalytic Impacts:

- Job Creation
- Low to moderate income job hiring
- Minority and Women Business Enterprise participation
- Community involvement

Readiness- Project can close within 6 months

Scale- NMTC funding makes sense

Strategic- Connects to other URA/Community Development Collaborative initiatives

But For New Market Tax Credits project could not be completed



# Things to keep in mind

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Minimum project size for using the NMTC leveraged investment is \$5M.

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You can use multiple CDE's in a project

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You cannot use LIHTC in a NMTC structure

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You can use HTC in a NMTC structure

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You can leverage project costs, but can't go beyond 24-48 months from closing.

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There is a deep pool of consultants out there to help navigate this program and many will be compensated out of project proceeds

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PUI has a loan program also, that is for project requiring 500K to 2M in gap financing. It does not forgive the B note after 7 years, but is interest only for 7 years.

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# New Markets Loan Fund (NMLF) or Small QLICs

## Eligible Expenses

Machinery and equipment, including acquisition, delivery and installation, limited to items directly related to the operation of the business

Leasehold improvements, including façade renovations

Real estate, including acquisition, construction and soft costs associated with real estate projects

## Terms and Requirements

- **Loan Size:** The maximum loan amount shall be \$1,500,000.
- The minimum loan amount is \$500,000.
- **Private Sector Investment:** Loans can be made in conjunction with a private lending source; NMLF loans should be no more than 40 percent of the project costs.
- **Equity Requirements:** Each project shall contain a minimum cash equity investment by the applicant of 10 percent or higher of the total project cost.
- **Term:** Up to 8 years, up to 7 years interest only
- **Interest Rate:** Approximately 3-3.5 percent, subject to the loan size and PUI/URA underwriting

# Thank You

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## Contact Information

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