

# New Markets Tax Credits in Spokane

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# Introduction

- Congress authorized NMTCs in 2000 to increase the flow of private sector capital to businesses, nonprofits, & community facilities.
- Since 2000, the program has delivered \$110B to more than 6,500 projects, creating over 1M jobs.
- During this time, Spokane has closed only five NMTC projects (\$62M in NMTC allocation), while Seattle-Tacoma closed 18 projects (\$307M allocation).
- Washington has not closed a NMTC project in the last two years, and Spokane's most recent transactions were in 2011.



# New Markets Tax Credit (NMTC) Statistics in 2022 Alone!

- 297 Projects in 40 states – 0 for Washington
- \$3.2B in NMTC Allocation, Leveraging a Total of \$6.7B for Projects in LICs
- 53K Total Jobs Created, Including 29K Permanent FTEs
- 98 Manufacturing Businesses – 4.8M sf of Renovated/New Space, Working Capital, Equipment Loans, and 11K FTE Jobs
- 92 Healthcare Projects, Including 53 FQHCs
- 138 Education Programs – Vocational, Early Childhood, K-12, and College



# What are New Markets Tax Credits?

- **NMTCs – Flexible, Gap Financing Designed to Revitalize Low-Income Communities**
- **Instead of providing a direct federal grant, NMTCs attract private sector investment by providing an incentive for banks to invest in organizations called Community Development Entities (CDEs).**
- **The banks (investors) receive a 39% tax credit for investments into the CDEs, who use these proceeds to finance new and expanding businesses and community health, medical, educational, and other projects.**

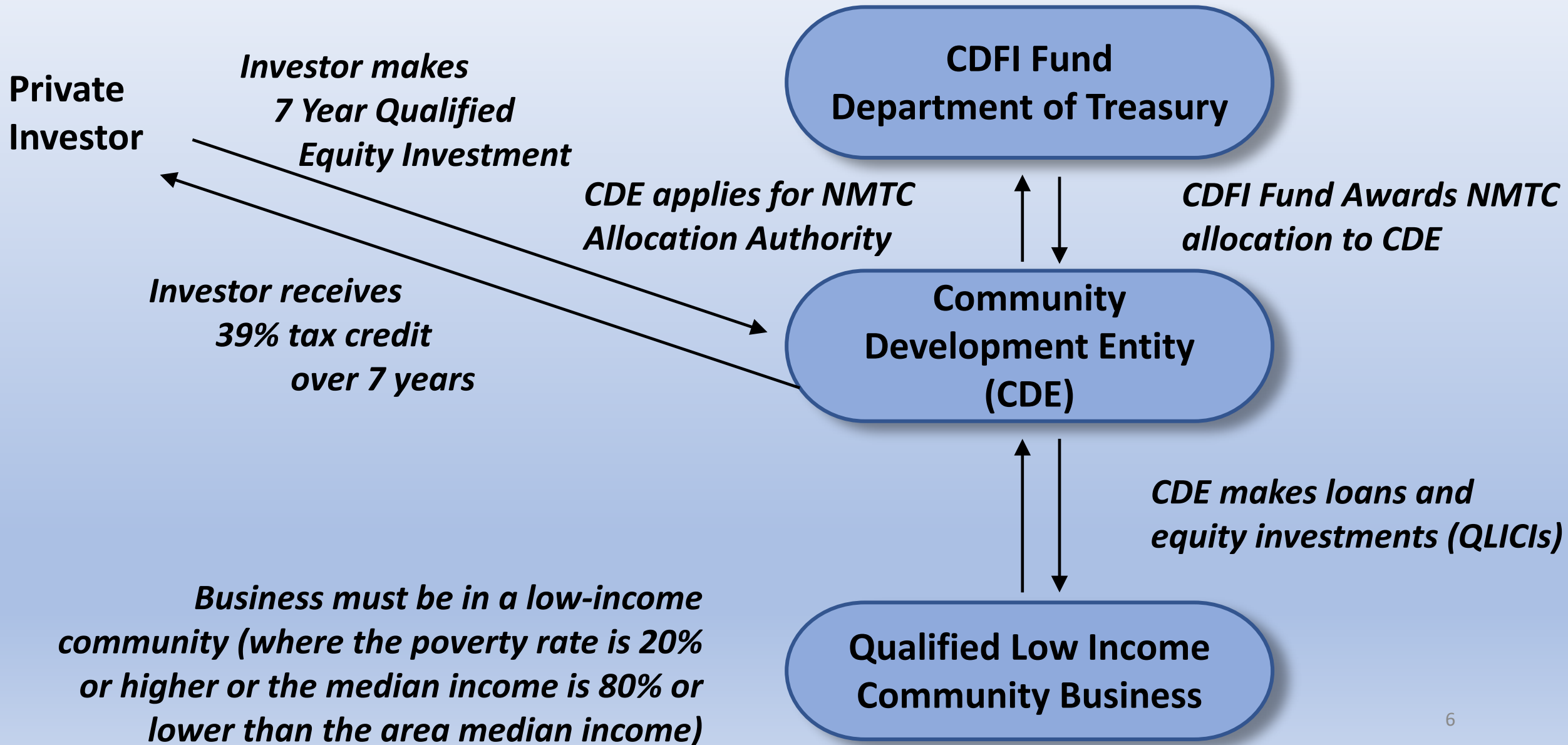


# Why Spokane?

- Nearly half (34) of Spokane's 74 census tracts qualify for NMTCs.
- Spokane has vibrant sectors in Manufacturing, Healthcare, Education, and others that can utilize NMTCs for construction of new projects and expansion of existing facilities.
- AMI in Spokane (\$62K) is 56% less than Seattle's AMI of \$111K
- NMTCs help create quality jobs and provide needed goods and services in low-income communities, helping to lift people from poverty.
- \$5B of NMTCs are awarded by the US Treasury each year, with a possibility of \$10B next year – let's get our fair share for this region!

# How Do They Work?

(Chart Courtesy of New Markets Tax Credit Coalition)



BI-PARTISAN  
SUPPORT

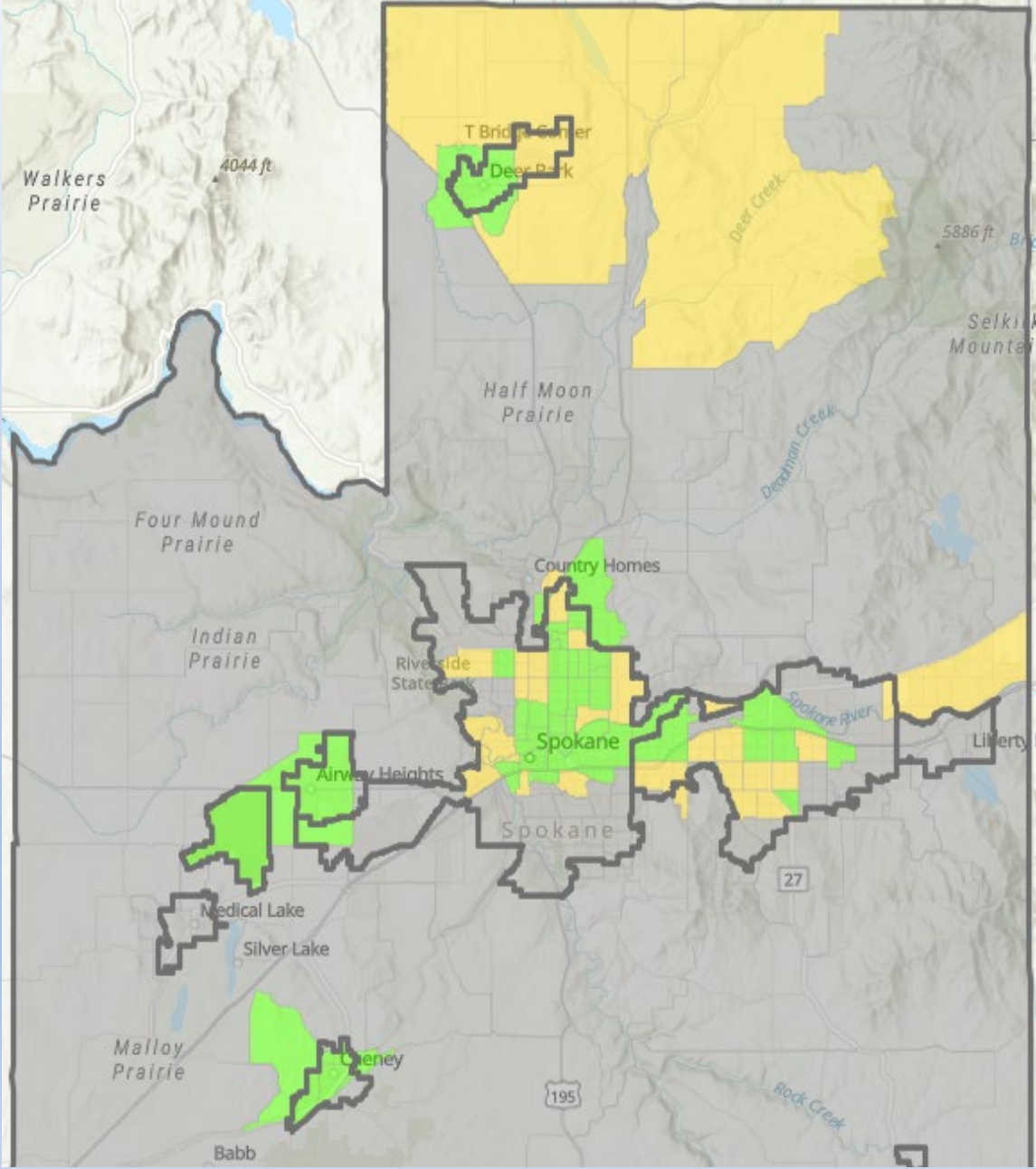
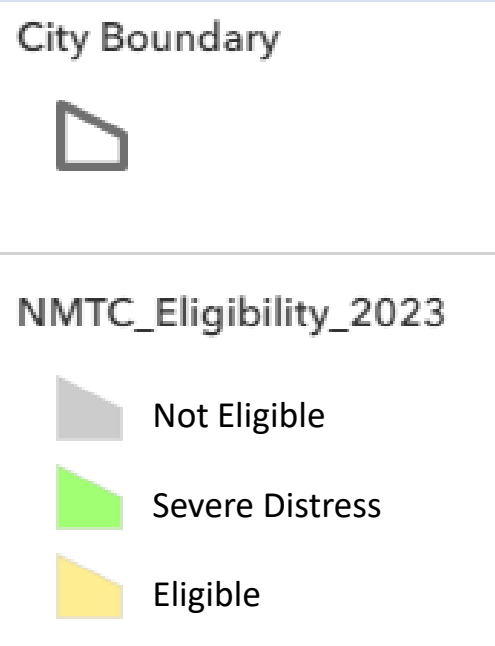
PROGRAM'S  
LONG TERM  
RESULTS

SHORT TERM  
EXTENSIONS



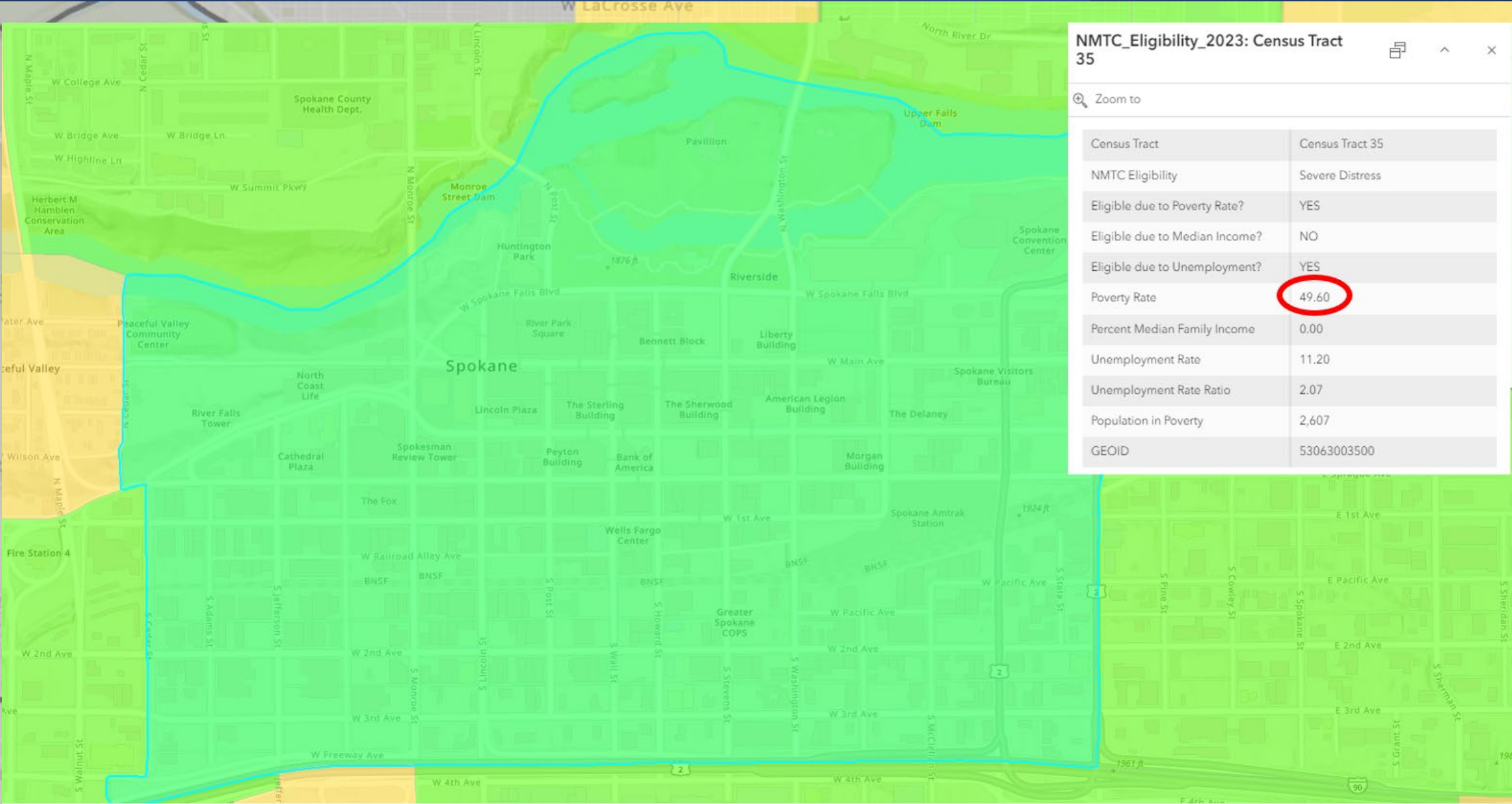


# Qualified NMTC Areas in Spokane County





# Qualified NMTC Areas of Spokane











## **Carol J. Mihalic**

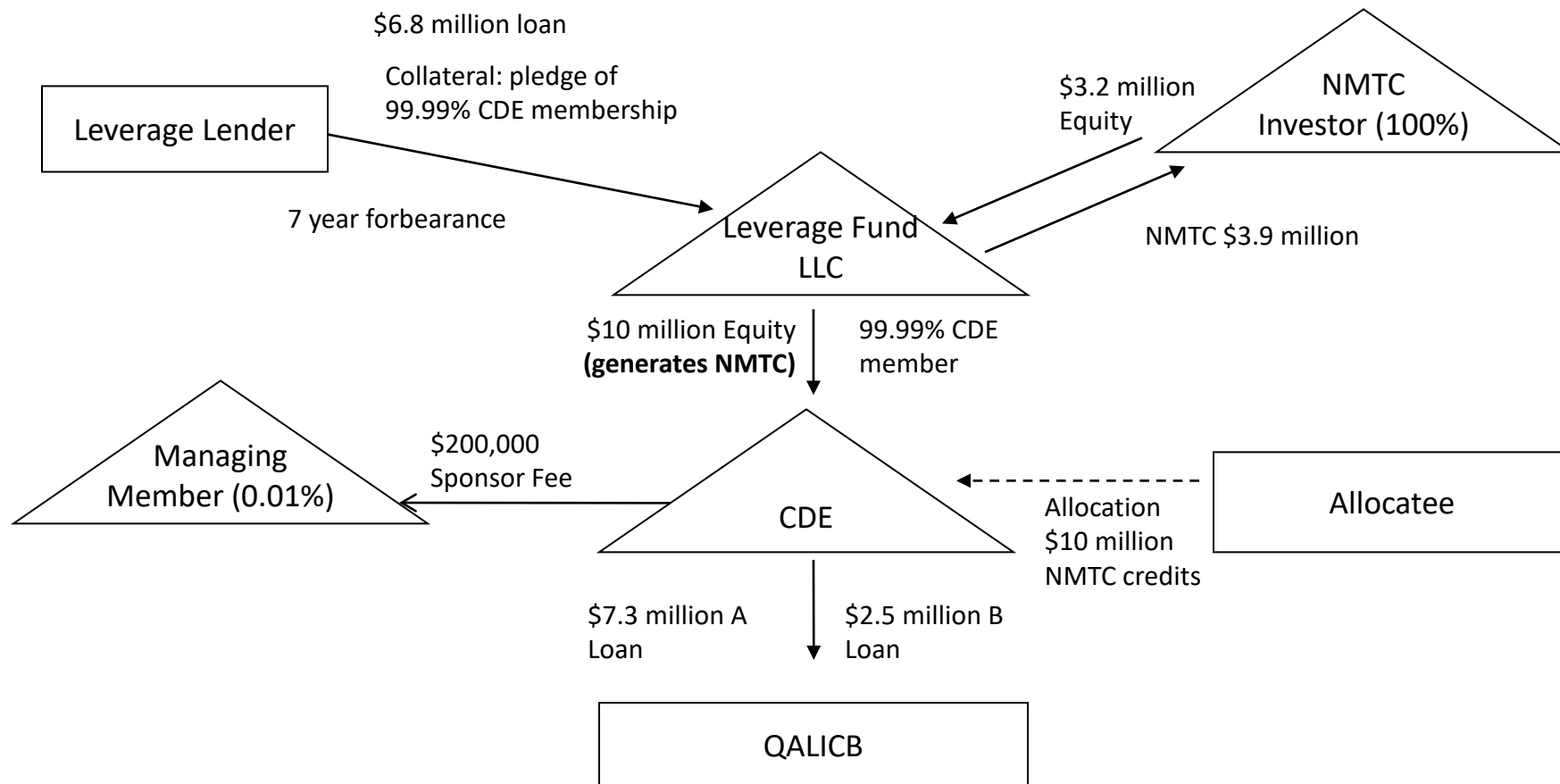
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# Leveraged Lending Model





# Key Players

Four components are required to complete a NMTC transaction:

Allocation provided by the CDE(s)

An Investor to acquire the tax credits

Leverage lender(s) to leverage the tax credits

A business or real estate project that qualifies for the program

## Service Providers

Lawyers

Consultants

Accountants

# Motivations of Parties/Economic Benefits

- **CDE/Allocatee**

- Compliance with their Allocation Agreement
- Invest in deals that have the highest community benefits that positions them for new allocation awards in subsequent rounds
- Represent the interests of the low-income community

- **CDE Economic Benefits**

- CDE Fee paid at closing
- CDE Fees paid over the 7-year compliance period
- Some CDEs require exit fee

- **Investor**

- Obtaining full amount of tax credits
- CRA Credit
- Clear exit strategy

- **Investor Economics**

- Require a yield on the investment in the tax credits





# Motivations of Parties/Economic Benefits

- **Borrower/QALICB**

- Successful project
- Utilize NMTCs to provide subsidized financing allowing the project/business to succeed
- Clear exit strategy

- **Borrower/QALICB Economics**

- Subsidy of approximately 20%-25% of allocation amount
- Below market interest rate, interest only payments for 7 years and other favorable loan terms

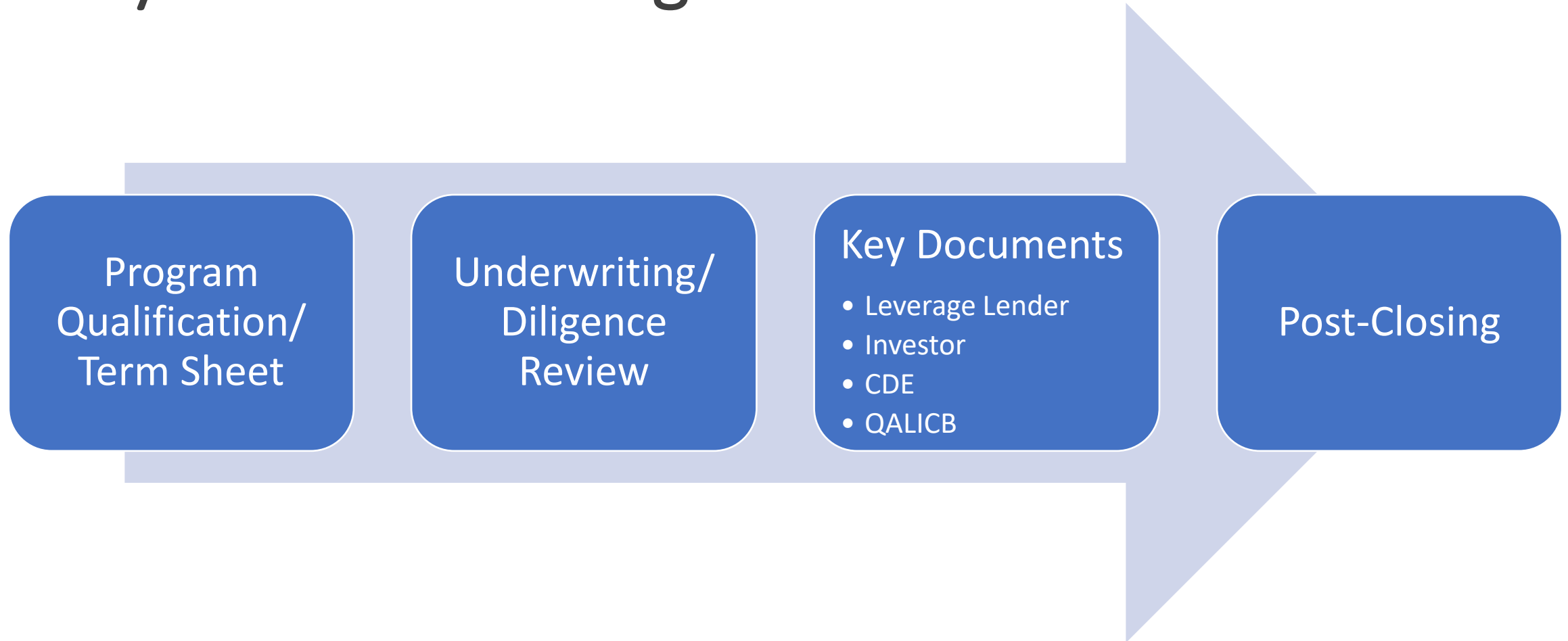
- **Leveraged Lender (if unrelated Lender)**

- Issuance of new loan and potential for CRA credit
- Maintaining its relationship with the Borrower/QALICB

- **Leveraged Lender Economics**

- Interest rate associated with the loan
- Other economic motivations for loan (for example, CRA credit)

# Key Transaction Stages





# Documentation / Diligence

- CDE Term Sheet and Documents
- Investor Documents
- QALICB Documents



# Post-Closing



- QALICB Reporting
- QLICI Payment Dates
- 7 Year Exit









# U.S. Bancorp Impact Finance

## New Markets Tax Credits



**Drew Hammond**

Vice President | Business Development Officer

## A trusted community development partner since 1988



U.S. Bancorp Impact Finance provides financial solutions that combine purpose and profitability to help create **lasting impact** for **people and the planet**.

Our tax credit investments and syndications, lending and other financial solutions help clients **financial, social and environmental goals**.

Who we serve	Where we invest	How we support our customers
<ul style="list-style-type: none"><li>• Real estate developers</li><li>• Business owners</li><li>• Community Development Financial Institutions (CDFI)</li><li>• Lenders</li><li>• Investors</li><li>• Government or nonprofit agencies</li></ul>	<ul style="list-style-type: none"><li>• Affordable housing (LIHTC)</li><li>• Economic development (NMTC)</li><li>• Historic renovations (HTC)</li><li>• Renewable sources of energy (RETC)</li><li>• We acquire a variety of state tax credits in over 100 state tax credit programs across the country</li></ul>	<ul style="list-style-type: none"><li>• Affordable housing, CDFI, and environmental and renewable energy lending</li><li>• Federal and state tax credit equity investments</li><li>• Tax credit syndications</li><li>• A full suite of financial products and services</li></ul>

## Tax credit and lending opportunities



Support affordable housing	Develop underserved communities	Preserve historic structures	Power our communities	Generate new sources of capital
State and federal Low Income Housing Tax Credits and affordable housing lending	State and federal New Markets Tax Credits	State and federal Historic Tax Credits	Renewable energy tax equity and lending	State and federal tax credit syndications



## A suite of financial services

We specialize in products and services our customers can rely on to help achieve their financial, social and environmental goals.

CDFI lending	Deposit, treasury management and payment solutions	Commercial card and prepaid options	Capital markets
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## Our impact

**112,158**  
affordable housing units

**23.80**  
gigawatts financed

**452,838**  
FTE jobs

**\$46.3B**  
in tax credit equity

**2,967,998**  
individuals receiving healthcare  
services

**4,081**  
total investments

## Our investments

**\$17.5B**  
Low Income Housing Tax  
Credit equity

**\$4.4B**  
current affordable  
housing loan commitment

**\$17.9B**  
tax equity  
raised

**\$386M**  
current loan commitment  
to CDFIs and intermediaries

**\$17.1B**  
Renewable energy  
tax equity

**\$10.3B**  
New Markets and Historic Tax  
Credit equity

**\$696.3M**  
environmental and renewable  
energy current loan commitment



### Why U.S. Bancorp Impact Finance?

Achieve your financial, social and environmental goals with our trusted industry expertise, reliable execution, and strength and stability of U.S. Bank.

Data as of December 31, 2023. See end disclosures.

# U.S. Bancorp Impact Finance

## New Markets Tax Credits



New Markets Tax Credits



Supporting economic  
development in underserved  
communities



**\$7.9** billion invested

**1,916** investments

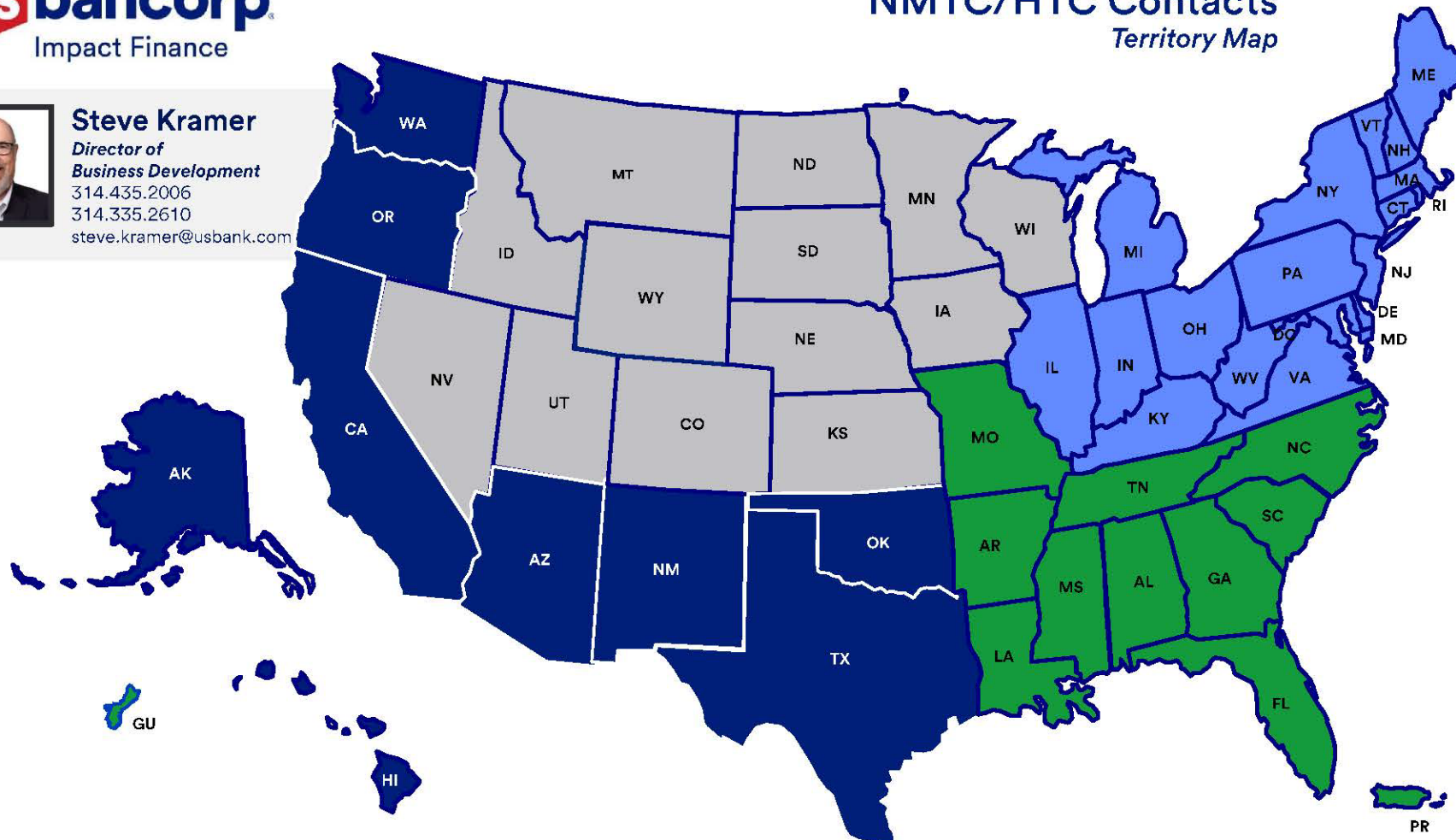
**260** community development entities

**\$30** billion leveraged

Data as of December 31, 2023. See end disclosures.



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## Preparing to make an investment

- Confirm eligibility
- Balance of sources
- Construction readiness
- CDE interest
- Consultant/prior NMTC experience

## Market trends to consider

- Project types
- Timing / QLICI Threshold
- Underserved States and Rural projects
- Community Benefits / Distress Criteria



# U.S. Bancorp Impact Finance

Our investments

# U.S. Bancorp Impact Finance

## Columbia Basin Health Association

Othello, Washington  
Closed 2016



*\$31.75 million in allocation for a \$38+million project*

- *\$10.5 million in NMTC equity*

### Sponsor

- Incorporated in 1972, Columbia Basin Health Association, CBHA is a Federally Qualified Health Center with more than 40 years of experience.

### Community Benefits

- Medically Underserved Area and Low Income and Migrant Primary Care Health, Dental, and Mental Health Professional Shortage Area.
- Patient population that is over 27% under-insured or uninsured; 41% of patients are under 100% of the Federal Poverty Level and 86% of patients are under 200% of the Federal Poverty Level.
- 44% of patients are migrant/seasonal farmworkers
- 40,000 patients and over 200,000 encounters annually.

### Jobs

- 150 construction
- 398 created/retained FTEs

## Yakima Valley Farm Workers Clinic

Kennewick, Washington  
Closed 2020



*\$16 million in allocation for a \$22 million project*

- *\$4.8 million in NMTC equity*

### Sponsor

- Incorporated in 1978, Yakima Valley Farm Workers Clinic is a not-for-profit, public benefit, community based primary health care clinical network.
- Originally established as a provider of healthcare for migrant and seasonal farm workers, it has grown from one site with four medical providers to an entity providing medical, dental, pharmacy, behavioral health, chemical dependency, case management, and social services in over 25 locations throughout eastern Washington and northern Oregon.

### Community Benefits

- The expansion includes the new construction of a 40,000 square foot community facility which is designated as a Federally Qualified Health Center in Kennewick, WA.
- This expansion will increase its health care services and provide accessibility to a wider range of healthcare services for residents in severely distressed communities in Eastern Washington and Northern Oregon.

## Food Lifeline

Seattle, Washington  
Closed 2015



*\$7.75 million in allocation for a \$9 million project*

- *\$3 million NMTC equity*

### Sponsor

- Improvements for Food Lifeline's new 117,500 square foot Hunger Solution Center. The mission of Food Lifeline is to end hunger in western Washington by ensuring that every child and adult has access to three healthy meals per day.
- Founded in 1979, it distributes 38 million pounds of food to 745,000 people annually through a network of 300 food banks, meal programs and shelters across 17 counties.

### Community Benefits

- Food Lifeline currently rescues more than 40 million pounds of food annually, keeping millions of dollars' worth of food out of landfills.
- The new facility will increase distributed food poundage by 10% each year, reaching 50 million pounds of food annually within five years

### Jobs

- 60 new full-time positions
- Provides culinary and warehouse training to low-income individuals.

## Landmark investments



Pike Place, the historic public marketplace in Seattle.



Pacific Tower, an art deco landmark in Seattle.



Bullitt Foundation Living Building

## Tribal investments

### EcoTrust | Colville Nation | Closed 2019

This project financed the construction of a 48 bed, 34,000 sq. ft. substance abuse treatment center in Keller, on the reservation of the Confederated Tribes of the Colville Reservation.

The project provides in-patient addiction treatment to tribal members and features culturally sensitive therapies such as sweat lodges. It is purposefully located in a more remote portion of the reservation to allow patients the opportunity to recover without nearby temptations.



- QEI \$16.5MM, \$5.3MM in NMTC equity
- CDE: EcoTrust CDE, LLC; Craft3



- \$11.55MM QEI; \$3.7MM in NMTC equity
- CDE Partner: Chickasaw Nation Community Development Endeavor, LLC

### Quinalt Indian Nation Early Head Start | Chickasaw Nation | Closed 2019

This project financed an approximately 30,000 sq. ft. building to house the Quinalt Indian Nation's Early Head Start, a day care, and senior programs along with other tribal services.

The Quinalt Indian Nation is undertaking the challenge of moving its citizens in Taholah, Washington, to higher ground as the village is vulnerable to flooding and located in a tsunami zone.

The children's programs and the senior programs were identified as serving the most vulnerable of the tribe's populations and the building also serves as an emergency shelter in case of earthquake and/or tsunami.







# Impact Investing In Manufacturing



**SDS Capital Group**  
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## National New Markets Fund (NNMF)

- SDS Capital Group since 2001
- \$1.3 billion AUM
- Impact embedded in our DNA.
- NNMF CDE since 2005
- 12 of 14 NMTC Awards
- 100% manufacturing focused
- Severe Distress Communities

**\$752 million**

NMTC Allocation Awarded

**\$3.1 billion**

Total Project Costs

**48**

Projects Financed

**17,090**

Jobs Created



# Ohio Label Manufacturing Expansion

- **\$23M total Project Costs: Received \$23M in NMTCs from 2 CDEs = \$6.5M in subsidy.**
- Equipment upgrades and added a new manufacturing line
- Environmentally friendly label operations.
- Jobs: 238 Full Time Employees
- 100% of jobs pay above living wage and offer health benefits
- 70% of jobs are available to Low-Income residents.
- Recruit and employ individuals who are:
  - Previously Incarcerated (23 current)
  - Refugees (26 current)
  - Homeless veterans (2 current)
- Partners with local technical school to provide manufacturing skills training.
- Company invests significantly in its employees, offering ongoing training and skills enhancement opportunities.



# Tennessee Food Production and Storage Facility

- **\$56M total Project Costs: Received \$43M in NMTCs from 5 CDEs = \$13M subsidy.**
- Retrofit equipment and expand their custom food production.
- Jobs: 211 Full Time Employees
- 68% Minority
- 100% of jobs pay above living wage and offer health benefits
- 85% of jobs are available to Low-Income residents.
- Works with local workforce development agencies and non-profits to provide job opportunities
  - Bridge Refugee Services
  - Safe Harbor: homeless and ex-offenders
- Company invests significantly in its employees, proven record providing employees with training and wage progression.



# Oklahoma Scrap Steel Recycling and Manufacturing Facility

- **\$370M total Project Costs: Received \$51M in NMTCs from 4 CDEs = \$17M of subsidy.**
- Construction and equipment of a new steel rebar manufacturing facility.
- Environmentally Friendly: 100% recycled steel for production input
- Jobs: 300 Full Time Employees
- 100% of jobs pay above living wage and offer health benefits
- 60% of jobs are available to Low-Income residents.
- Local community support received from:
  - City
  - Local Tribe
  - State
- Partnered with Choctaw Nation Career Development to prepare tribal members for job opportunities.





# How **SDS** helps projects secure NMTC funding:

- Assess your project: Can it ATTRACT NMTC CDEs to invest?
- Create industry specific marketing materials
- Develop the initial structure model
- Market and pitch to NMTC CDEs and Investors
- Recommend the terms to you
- Negotiate the terms of the NMTC allocation
- Navigate every step of the closing and lead closing calls

**Beth Fore**

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# Forum Questions & Discussion

