

New Markets Tax Credits

Capital for Kansas City's Underserved Markets

October 2008

City to receive \$40 million in federal new markets tax credits

Allocation is the first for the City as sole applicant

The City of Kansas City, Mo. Community Development Entity has been awarded \$40 million in new markets tax credits under the sixth round of the U.S. Department of the Treasury's Community Development Financial Institutions Fund's New Markets Tax Credit Program. The award marks the first time the City has applied independently to receive funds under this program. The City partnered with Central Bank of Kansas City in its award winning application last year, receiving \$50 million in new markets tax credits.

This allocation allows the City to continue to leverage private resources to uncover and respond to capital supply gaps in the city's most challenging markets.

"Securing these funds is a competitive process, so the allocation is exciting news for the city," said Jeffrey Yates, the City's chief financial officer. "Given the current economic climate, the opportunity to fill financing gaps in high-impact, primarily mixed-use redevelopment projects is essential to move development forward."

The funds will be invested in the city's underserved markets to strengthen the economic base and empower low-income residents. Specifically, new markets tax credit investments will be made in low-income communities. Low-income communities are defined as population census tracts where at least

20 percent of its population is at the poverty level or the area median income is not more than 80 percent of the statewide of metropolitan area median income.

"One of the most important challenges we face as a city is revitalizing our urban core," Mayor Mark Funkhouser said. "To succeed, we need an array of economic incentive tools. Federal new markets tax credits are among the most effective. They encourage private investment and reduce risk for the city. I want to thank our congressional delegation for its efforts in securing these resources."

The new markets tax credit program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in the City's community development entity. The entity will use substantially all those funds in distressed census tracts to make business loans or investments within the Kansas City, Mo., city limits. This award will compliment the \$50 million allocation awarded to Central Bank of Kansas City last year as well as help to further promote the City's new Economic Development and Incentive Policy.

The City's Development Finance Division of the Finance Department prepared the application, including a pipeline of potential projects that prompted the award by the U.S. Department of Treasury.

NMTC 2008 round facts:

- 239 community development entities applied for allocations, requesting a total of \$21.3 billion in allocations.
- The CDFI Fund made allocation awards to 70 entities (29 percent of the total applicant pool) totaling \$3.5 billion, or only 16.4 percent of the total amount requested by applicants.
- The average allocation award amount is \$50 million.
- Allocation awards range in size from \$6.25 million to \$112 million. The median allocation award amount is \$45 million.
- Only 13 of the 70 awarded allocatees (approximately 19 percent of total awardees) are governmentally controlled entities or subsidiaries of such entities. Government controlled entities received allocations totaling \$535 million.

Best practices in new markets tax credits and renewable energy

The Models for Funneling Local Investment Capital into Biofuel Production program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities. These entities could invest in biofuel facilities and could supplement the farmers' equity, thereby leveraging the initial farmer investment. Some modifications would be needed for the biofuel sector, including the community development entity pledging to invest in a portfolio of qualified biofuel projects

and creating a new tax credit model that will mirror the investment mechanism of the new markets tax credit, but targeted specifically for biofuels and renewable industry investment. The new markets tax credit could become a model to help finance a few farmer-owned biofuel facilities. The federal tax credit provides a subsidy that if structured correctly, can provide some economical incentives for investors to finance farmer-owned operations.

<http://www.rurdev.usda.gov/rbs/pub/jan08/jan08.pdf>

Partnership spotlight



Is your deal a new markets tax credit deal?

The City of Kansas City, Mo., and Central Bank of Kansas City have committed to providing 85 percent of their joint new markets tax credit assistance to projects located in census tracts that meet federal criteria of "highly distressed." The criteria is:

At least one of the following:

- Poverty rate greater than 30 percent
- Unemployment rate at least 1.5 times the national average
- Median income less than 60 percent of area median income

Or, at least two of the following:

- Federal Enterprise Community
- Federal Empowerment Zone
- Federal Renewal Community
- SBA Designated HUB Zone
- Federal Brownfields Redevelopment Area

- HOPE VI Redevelopment Area
- State/Local economic development zone

New markets tax credit consideration for projects will be prioritized using the following criteria.

- Demonstrated need for subsidized financing (without new markets tax credits, this project would not be feasible)
- Project will generate significant and measurable community impact
- Compatibility with new markets tax credits financing structure

To begin the process for determining whether your project is an eligible, visit <http://www.kcmo.org/finance.nsf/web/newmarket>. Complete the Preliminary Project Eligibility Checklist and return it to: Ruben Alonso, City of Kansas City, Mo., 414 E. 12th St., third floor, Kansas City, MO 64106.

CBKC CDE board member profile: Gloria Eurotas, consultant

Gloria Eurotas is a 27-year veteran of housing, neighborhood and community development with a strong history of building successful partnerships. Her work experience in California, Texas and Missouri has enriched her ability to serve the communities where she lives and works. Eurotas holds a bachelor's degree in psychology from the University of California, Santa Barbara, and has post-graduate work in counseling psychology and organizational management.

Eurotas was the assistant director of the City of Fort Worth, Texas Housing Department from 1997-2002. In that position, she focused on policy issues, community revitalization, neighborhood partnerships and various housing programs. Eurotas arrived in Kansas City in 2002, and led the Kansas City Neighborhood Alliance from 2002-07. The alliance was a private, non-profit corporation that worked to ensure all Kansas City



neighborhoods were safe, strong and stable.

Serving on boards has been a highlight of Eurotas' work experience. She is a member of the Central Bank of Kansas City Community Development Entity advisory board, and also has served on the boards of the Brush Creek Community Partners, the Community Development Association

of Greater Kansas City the Kansas City Engine for Economic Development.

As interim chief executive office for the Girl Scouts Council of northeastern Kansas and northwestern Missouri from September 2007 to June 2008, she supported operations and the board of directors and led the national search for the new chief executive officer.

Eurotas hopes to continue assisting non-profits in transition and remain involved in efforts to improve the lives and conditions of residents in the greater Kansas City area.

2008 Central Bank of Kansas City CDE Advisory Board members:

Wayne A. Cauthen, city manager, City of Kansas City, Mo., chairman, **Erica Dobreff**, president, Kansas City Equity Fund, **Gloria Eurotas**, consultant, **Rhonda Holman**, vice president, Heath Care Foundation of Greater Kansas City, **William (Bill) Nelson**, George K. Baum & Co., **Julie Porter**, executive director, Greater Kansas City, LISC

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