

## Building Blocks for Kansas City's Future

### ***Kansas City, Missouri Community Development CDE accepting applications for NMTC eligible projects—Deadline: July 31st***

After a successful first round of request for applications for NMTC facilitated project/business financing, the Kansas City, Missouri Community Development CDE is currently accepting NMTC applications for its second application round. Applications for businesses and projects eligible for NMTC facilitated financing are due by 5:00 p.m. on July 31st.

Applications are to be delivered to Ruben Alonso III, NMTC Coordinator at 414 East 12th Street, 3rd Floor, Kansas City, MO 64106. Prospective applicants are required to first complete and submit a project eligibility checklist prior to submitting an application. Information on the Kansas City, Missouri Community Development CDE's application process is available at: <http://www.kcmo.org/finance.nsf/web/newmarket>

### ***Case Study: City First Enterprises Uses New Market Tax Credits to Redevelop Foreclosed Properties***



was relatively strong. In recent months, however, the region has had one of the highest foreclosure rates in the country, especially in the counties outside of the city.

In DC, the foreclosures are concentrated in 10 of the city's 21 inhabited zip codes, most of which are in the central and eastern parts of the city. There has been some price slippage at the high end, but moderately priced units are still selling and in some cases the prices are inching up. As recent as late 2008, 3-bedroom homes still average \$528,000, with the condo market

The Washington, DC area initially appeared to dodge the foreclosure bullet. Until late 2007 its foreclosure rate was well below the national average, and its economy was relatively strong. In recent months, however, the region has had one of the highest foreclosure rates in the country, especially in the counties outside of the city. These prices are well beyond the reach of working families. High housing costs mean that foreclosure resolution in DC will require significant capital for acquisition and rehab, as well as for subsidies to make units affordable. A city-wide, scattered-site foreclosure problem also requires the capacity to work in multiple neighborhoods simultaneously. And absorbing the high numbers of foreclosures means operating at a larger scale. These were some of the considerations that led City First Enterprises (CFE), a nonprofit bank holding company of City First Bank, to the New Markets Tax Credit (NMTC) program.

While the Program has in large part been used to facilitate financing for commercial-based real estate projects/businesses, NMTC can be used to finance businesses that purchase, rehab and sell single-family homes. CFE's project is the first ever large scale use of NMTCs for foreclosure response.

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### **Kansas City, Missouri Community Development CDE Governing Board:**

**Wayne A. Cauthen, City Manager, City of Kansas City, Missouri**

**Jean-Paul Chaurand, Senior Vice President, Greater Kansas City Community Foundation**

**Joseph F. Egan, Director/Chairman, Board of Commissioners, Housing Authority of Kansas City**

**Margaret J. May, Executive Director, Ivanhoe Neighborhood Council**

**Jeffrey A. Yates, CFO/Director, Finance Department, City of Kansas City, Missouri**

## Building Blocks for Kansas City's Future

### **Case Study: City First Enterprises Uses New Market Tax Credits to Redevelop Foreclosed Properties, cont. from page 1**

Working closely with its financial partner, NCB Capital Impact (NCBCI), CFE will use a \$17.5 million NMTC leveraged structure to create a funding pool to be used to create 150 units of workforce housing, and support redevelopment of 50 units of vacant, real estate owned property. CFHomes will work with a network of local developers who will acquire, renovate, and sell the units. Homebuyers will receive a subsidy in the form of a \$75,000, low interest rate second mortgage. In exchange for the subsidy they must agree to share a portion of future appreciation. CFHomes will use a model similar to a community land trust (CLT) to hold this value over the long term. David Wilkinson, CFE's Executive Director, sees a number of advantages to this approach. "DC's affordability gap is so large that it requires a lot of subsidy to help working families buy homes," he points out. It's increasingly difficult to raise the subsidy that we need, so we have to start building in permanent affordability." The

NMTCs help bring new money to the table for this purpose, but it must conform to the Treasury guidelines. Wilkinson admits that there are challenges to implementing this approach.

While initial market assessments are promising, it remains to be seen whether homebuyers will be willing to trade equity for access to homeownership, and the chance to live in the District instead of commuting in from the suburbs. The model also requires subsidy over and above the NMTCs, which is a constant challenge. Nevertheless, Wilkinson is optimistic that it will be a useful model for CDCs working in other markets across the country. He notes that the CDFI Fund has shown significant interest in this approach, and may encourage other groups to use NMTC in this way to address the foreclosure crisis.

<http://www.stablecommunities.org/node/447>

### **What is a QALICB (Qualified Active Low-Income Community Business)?**

A QALICB is the beneficiary of NMTC facilitated financing and can be any corporation (**including a nonprofit corporation**) or partnership if, for any taxable year:

- (1) At least 50% of total gross income of such entity is derived from the active conduct of qualified business within any Low-Income Community (LIC);
- (2) A substantial portion of the use of the tangible property of such entity (whether owned or leased) is within any LIC;
- (3) A substantial portion of services performed for such entity by its employees are performed in any LIC;
- (4) Less than 5% of the average of the aggregate unadjusted bases of the property of such entity is attributable to collectibles other than collectibles that are held primarily for sale to customers in the ordinary course of such business; and
- (5) Less than 5% percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to nonqualified financial property.

For more information about how your business can qualify for the NMTC program, go to:  
[www.kcmo.org/finance.nsf/web/newmarket](http://www.kcmo.org/finance.nsf/web/newmarket)

### **Contact Information:**

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