

# New Markets Tax Credit Program

The New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities. The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7 year credit allowance period. In each of the first 3 years, the investor receives a credit equal to 5% of the total amount paid for the stock or capital interest at the time of purchase. For the final 4 years, the value of the credit is 6% annually. Investors may not redeem their investments in CDEs prior to the conclusion of the 7 year period.

The Kansas City, Missouri Community Development CDE (KC CDE), a public benefit corporation of the City of Kansas City, MO is seeking to facilitate the financing of qualified businesses and development projects in highly distressed areas within the city limits of Kansas City, MO that will create significant community impacts. KC CDE's allocation of NMTC can be used to provide debt financing with below-market terms for eligible developments including for-profit and not-for-profit businesses and mixed-use development (primarily commercial uses with the possibility of housing).

The Kansas City, Missouri Community Development CDE has committed to utilizing their allocations for projects and businesses located in census tracts that meet the CDFI Fund's criteria of "highly distressed." The criteria that the Census tract must meet are as follows:

**At least ONE of the following:**

- Poverty rate greater than 30%
- Median family income less than 60% of statewide median family income
- Unemployment rate at least 1.5 x the national average

**OR, At least TWO of the following:**

- Poverty rate greater than 25%
- Median family income less than 70% of statewide median family income
- Unemployment rate at least 1.25 x the national average
- Federal Economic Development Zone
- SBA Designated HUB Zone
- Federal Brownfields Redevelopment Area
- HOPE VI Redevelopment Area
- State/Local economic development zone

To begin the process for determining whether your project is an eligible project for NMTC, please complete the attached Project Eligibility Checklist and return it to Ruben Alonso III, City of Kansas City, Missouri, 414 East 12<sup>th</sup> Street, 3<sup>rd</sup> Floor, Kansas City, MO 64106.

If you have any questions regarding the program or application, please feel free to contact:

**Ruben Alonso III**  
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[www.kcmo.org/CKCMO/Depts/Finance/NewMarketsTaxCredit/index.htm](http://www.kcmo.org/CKCMO/Depts/Finance/NewMarketsTaxCredit/index.htm)



## New Markets Tax Credit Program Project Eligibility Checklist

<b>Developer Name:</b>	
<b>Developer Contact Info.:</b>	
<b>Project Site Address:</b>	
<b>Parcel #</b>	

Project Description			
Total Development Cost (must be at least \$6-8 million):		\$	
Provide a brief description of the type of project contemplated (i.e. real estate, business, other):			
Is the borrower a Qualified Active Low Income Community Business (must meet all five tests, below):			
<ul style="list-style-type: none"> <li>▪ <b>Gross Income:</b> At least 50% of the total gross income is derived from the active conduct of a qualified business within a low income community</li> <li>▪ <b>Tangible Property:</b> At least 40% of the use of the tangible property of the business is within any low income community</li> <li>▪ <b>Services:</b> At least 40% of the services performed for the business by its employees is performed in any low income community</li> <li>▪ <b>Collectibles:</b> Less than 5% of the average of the aggregate unadjusted bases of the assets of the entity is attributable to collectibles</li> <li>▪ <b>Nonqualified Financial Property:</b> Less than 5% of the average of the aggregate unadjusted bases of the assets of the entity is attributable to debt, stock, partnership interests, options, futures contracts, and other similar property</li> </ul>	Y	N	?
Is the borrower a <i>real estate</i> Qualified Active Low Income Community Business?			
<ul style="list-style-type: none"> <li>▪ Does the building derive less than 80% of its gross rental income from dwelling units?</li> <li>▪ Is the operation something other than: county club, golf course, massage parlor, hot tub facility, suntan facility, racetrack or other gambling establishment or liquor store?</li> </ul>	Y	N	?
Community Impact			
How many new, permanent jobs are estimated to be created as a result of the project?			
How many construction jobs are estimated to be created as a result of the project?			
Will residents of low-income communities or low-income persons be employed as a result of the total jobs estimated to be created by the project?	Y	N	?
Will affordable housing opportunities be created as a result of the project?	Y	N	?
Will goods and services be provided to low-income communities as a result of the project?	Y	N	?
Will there be MBE/WBE/DBE participation in the project?	Y	N	?
Will the project incorporate "green" design and building practices such as weatherization or Leadership in Energy and Environmental Design (LEED)?	Y	N	?
Need			
Does the project require conventional debt financing (reduced interest rate, expanded loan-to-value, longer interest-only period)?	Y	N	?
Does the project have a "financing gap" and is unable to assume a commercial debt obligation?	Y	N	?
Readiness to Proceed & Project Viability			
Are all funding sources except for NMTC in place?	Y	N	?
Does the developer have any prior experience with NMTC?	Y	N	?
Is it reasonable to assume that the project will be in business for at least seven years?	Y	N	?
Will the project's financing close within 6 months?	Y	N	?