

# Economic Development



## NEW MARKET TAX CREDIT

**Request:** Reauthorize the 2012-13 New Market Tax Credit (NMTC) program within the U.S. Department of Treasury permanently after 2013.

### Community Value:

The Phoenix NMTC program provides commercial real estate loans at below-market rates to small businesses and mission-focused nonprofits to encourage neighborhood revitalization and stabilization in qualified low-income communities in Phoenix. The U.S. Department of Treasury Community Development Financial Institutions Fund (CDFI) has allocated awards of \$170 million (2002), \$40 million (2008) and \$53 million (2011) to the Phoenix Community Development and Investment Corporation (PCDIC). The PCDIC targets projects in neighborhoods where the poverty rate is above 30 percent and the family income is less than 60 percent of the Phoenix Metropolitan Statistical Area median.



*Renovation of the Phoenix Union High School historic buildings for the University of Arizona Medical School.*

PCDIC created commercial real estate loan funds with the CDFI allocations. It has deployed \$210 million from the first two awards. The pipeline for the \$53 million allocation awarded in 2011 (all under current due diligence and negotiation) has included a biomedical research facility, charter schools, a hospital, a dental clinic and a regional data center hub.

A distinguishing characteristic of the PCDIC loan is the Community Impact Plan. Each borrower must have a PCDIC board-approved plan prior to loan funding. The plan clearly articulates how the borrower will use below-market financing to impact the low- to moderate-income community. As an example, PCDIC negotiated a \$1 million endowment scholarship fund for low- to moderate-income students with one developer; it is being funded over the seven-year term of the NMTC loan with a portion of the savings the developer incurs due to favorable financing structured with the tax credit subsidy.

Since its inception in 2002, PCDIC has established 13 limited liability company (LLC) partnerships, managing \$259 million in assets. PCDIC has funded 25 loans totaling \$279.13 million, attracting an additional \$454 million of private investment in the Phoenix community. NMTC loan deployment generated an estimated 3,851 construction jobs, 8,253 new jobs (full- and part-time) and retained 3,079 (full- and part-time) jobs.

With earnings from the NMTC loan program, PCDIC also has funded community programs targeting low- to moderate-income students and families. In total, more than \$600,000 was committed for summer employment programs in 2009 (150 students), 2010 (150 students), 2011 (75 students) and 2012 (64 students). PCDIC funding paid for student wages, transportation and wardrobe assistance and scholarships for post-secondary studies.

In addition, PCDIC committed \$150,000 for calendar years 2012 and 2013 for emergency assistance to families in critical circumstances. Most recently, \$35,000 was approved to support low- to moderate-income student participation in the Youth Ambassador Exchange Program (an international exchange program through Phoenix Sister Cities, Inc.).

Other programs created or funded by PCDIC during the past year include:

**Access to Capital** – The goal of the Access to Capital Academy program is to prepare NMTC census tract businesses and Small Business Enterprises to more successfully access traditional capital by providing technical assistance, customized training, business coaching and practical application exercises. A group of 20 to 40 established businesses will be selected. The academy will meet for a minimum of three hours every two weeks for a six-month period. PCDIC has committed \$40,000 for this endeavor.

**Business Loan Alliance** – Arizona's Business Loan Alliance is a groundbreaking \$12 million loan collaborative designed to help small business owners secure the capital they need to flourish. Loans range from \$50,000 to \$500,000 and carry favorable rates and terms for creditworthy companies that lack adequate equity investment or sufficient collateral to secure a conventional loan.

**The Disadvantaged Business Enterprise (DBE) Program –**

The DBE Loan Fund pilot program was established in partnership with Mutual Bank of Omaha to provide low-cost capital to qualified DBEs with the intention of creating jobs, education opportunities and other benefits for the low- to moderate-income community. The initial fund of \$4 million is dedicated to providing loans to subtenants of HMS Host doing business in Sky Harbor International Airport, Terminal 4.



*Phoenix Rescue Mission secured residential campus*

Contact: Roberto Franco, President & CEO, Phoenix Community Development Investment Corp.  
602-495-5247, roberto.franco@phoenix.gov

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