



The Past, Present, and Future of the New Markets Tax Credit Program

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April 28, 2021

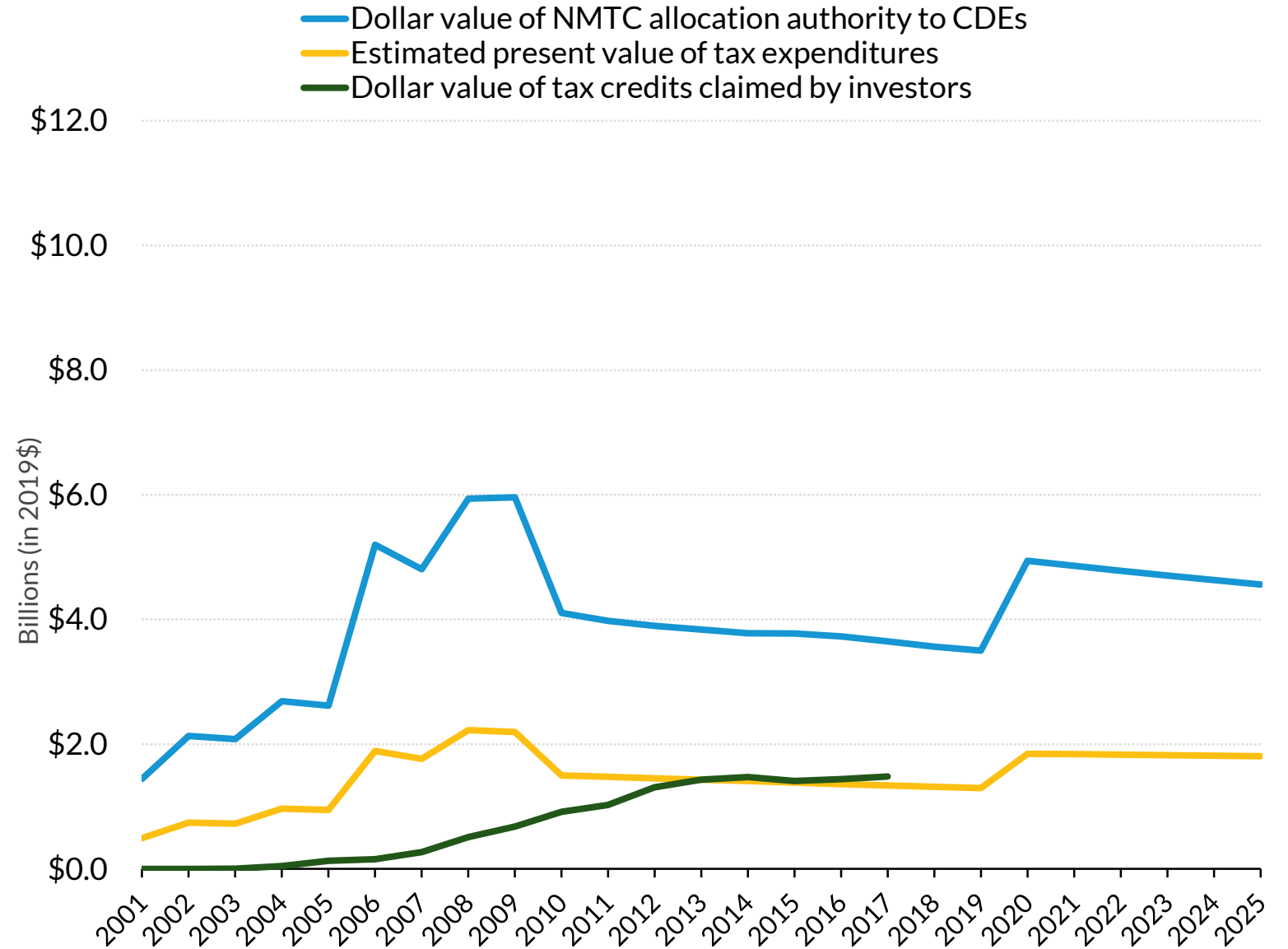
Examining the New Markets Tax Credit Program



Brett Theodos, Christina Stacy, Daniel Teles, Chris Davis, and Ananya Hariharan

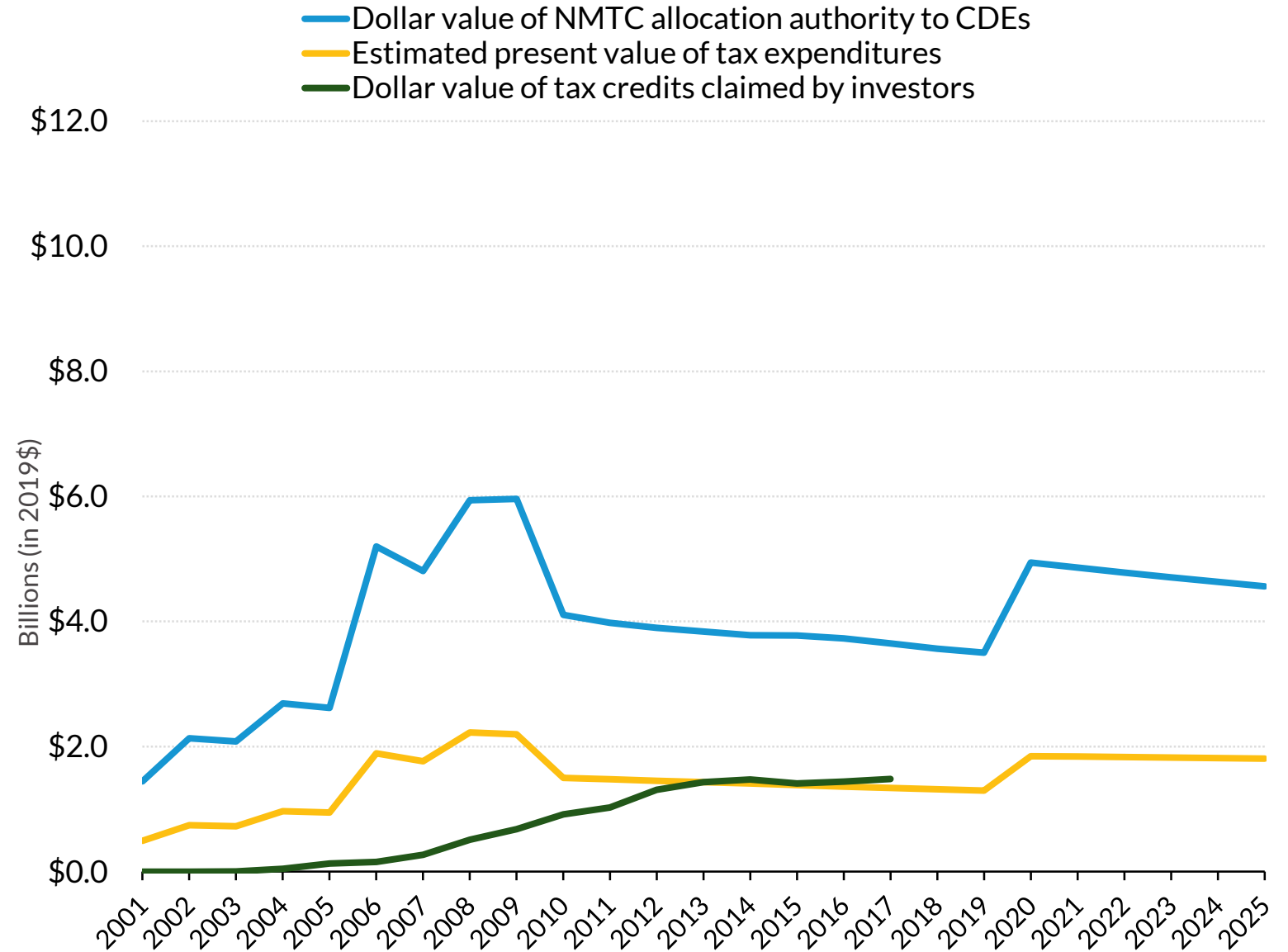
1: How Has the New Markets Tax Credit Program Been Funded Over Time?

\$99 billion in allocation authority approved through 2025



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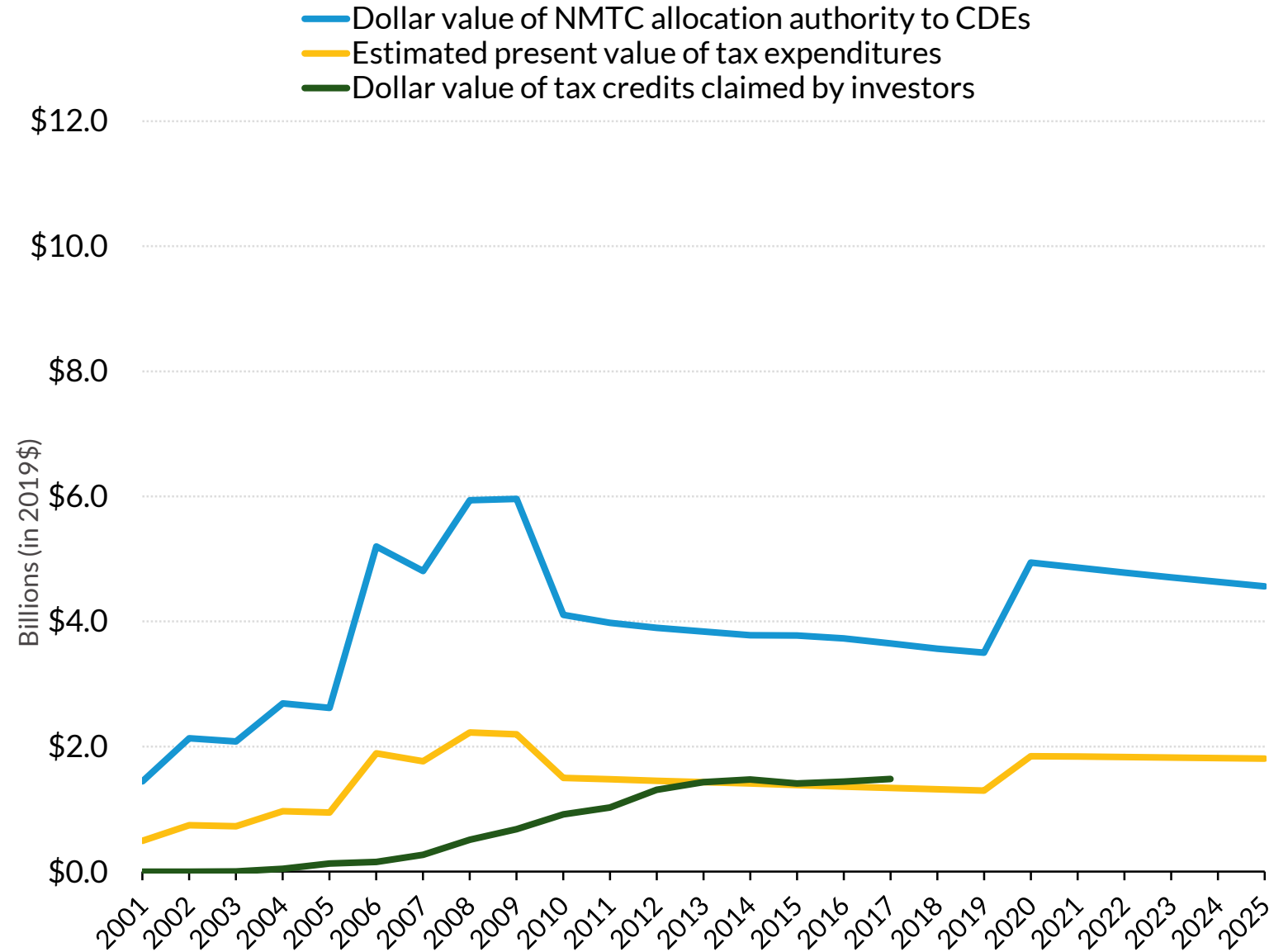
\$37 billion in estimated tax expenditures approved through 2025



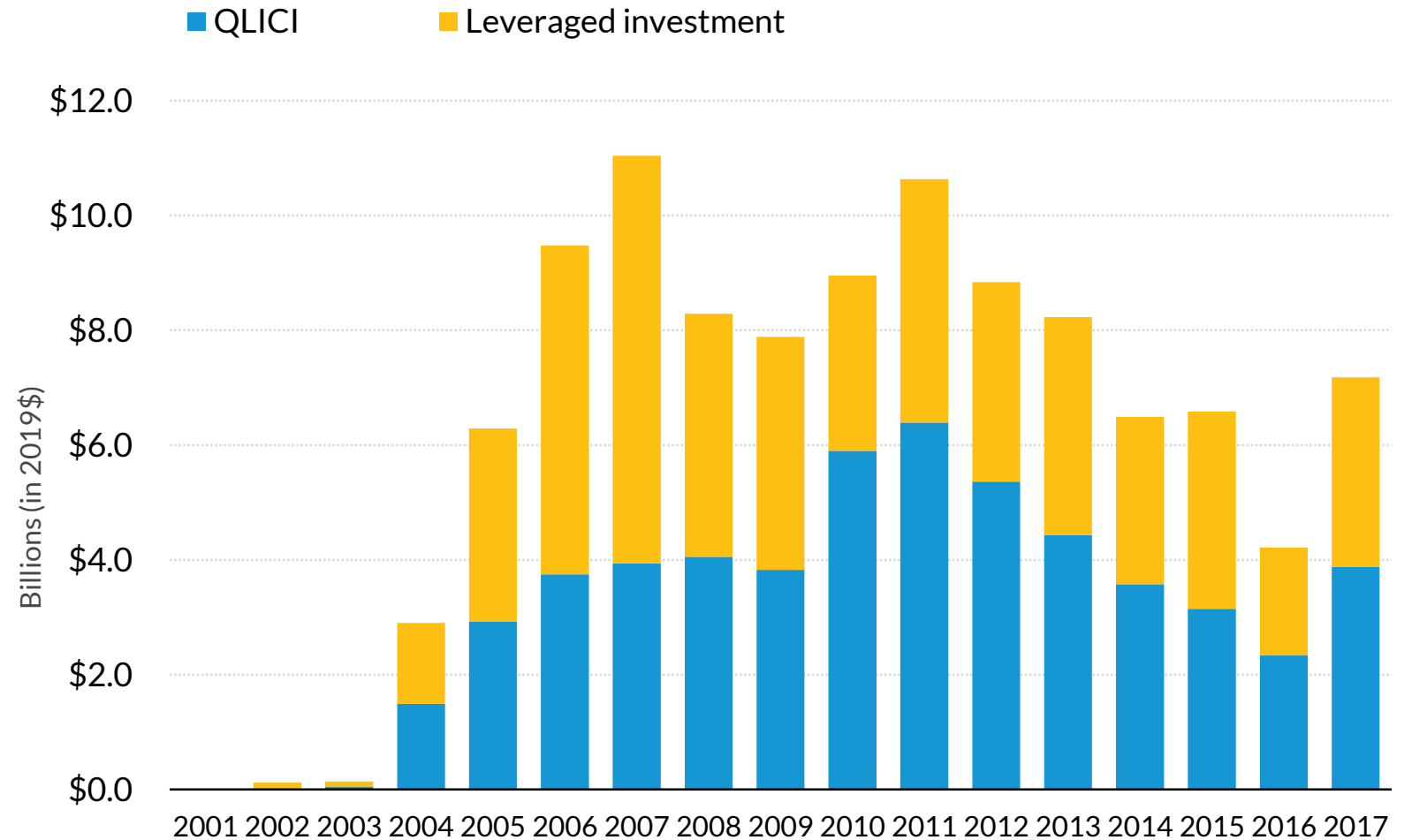
\$99 billion in allocation authority approved through 2025

\$37 billion in estimated tax expenditures approved through 2025

\$12 billion had already been claimed by investors through 2017

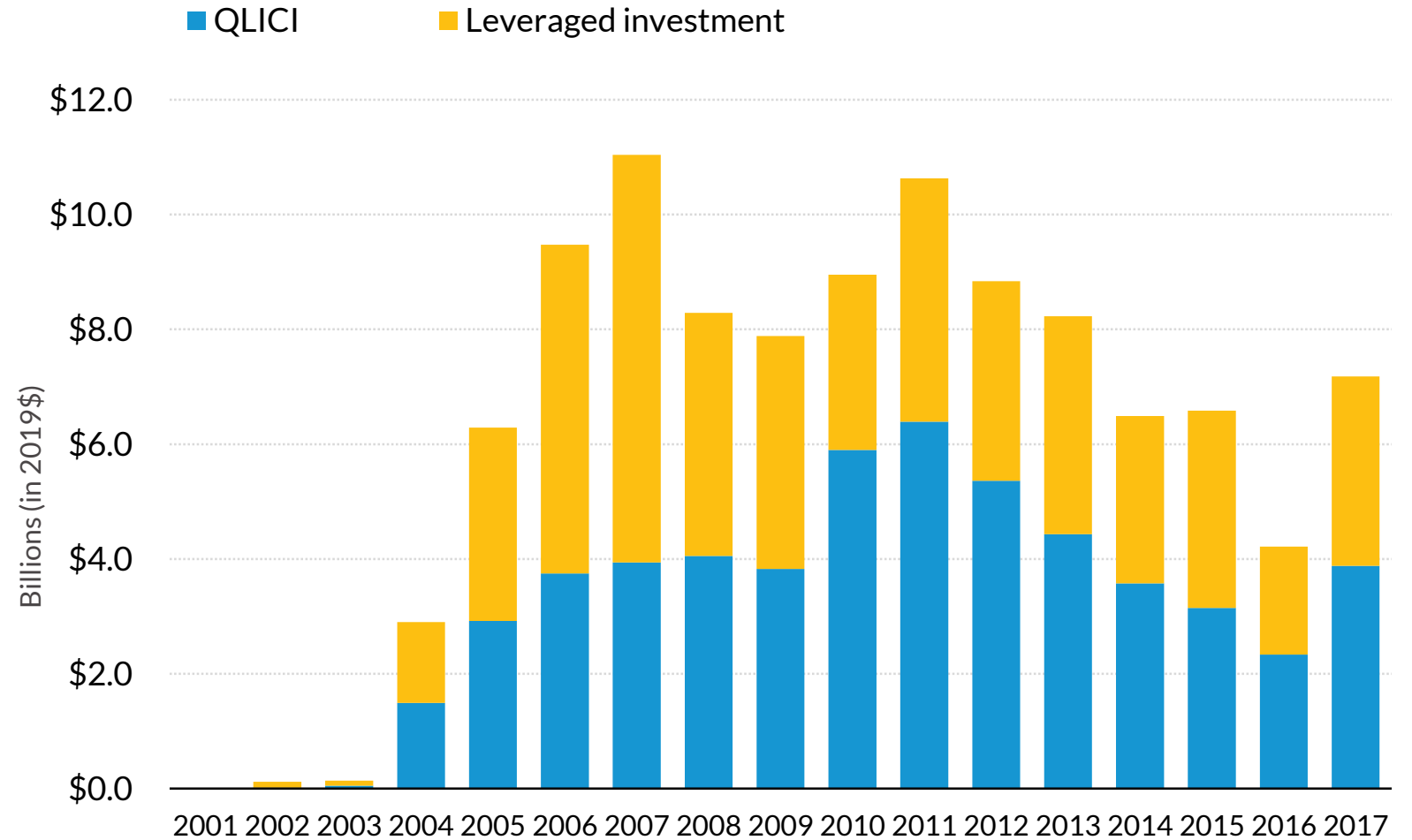


\$55 billion in NMTC qualified investments into nonprofits and businesses through 2017



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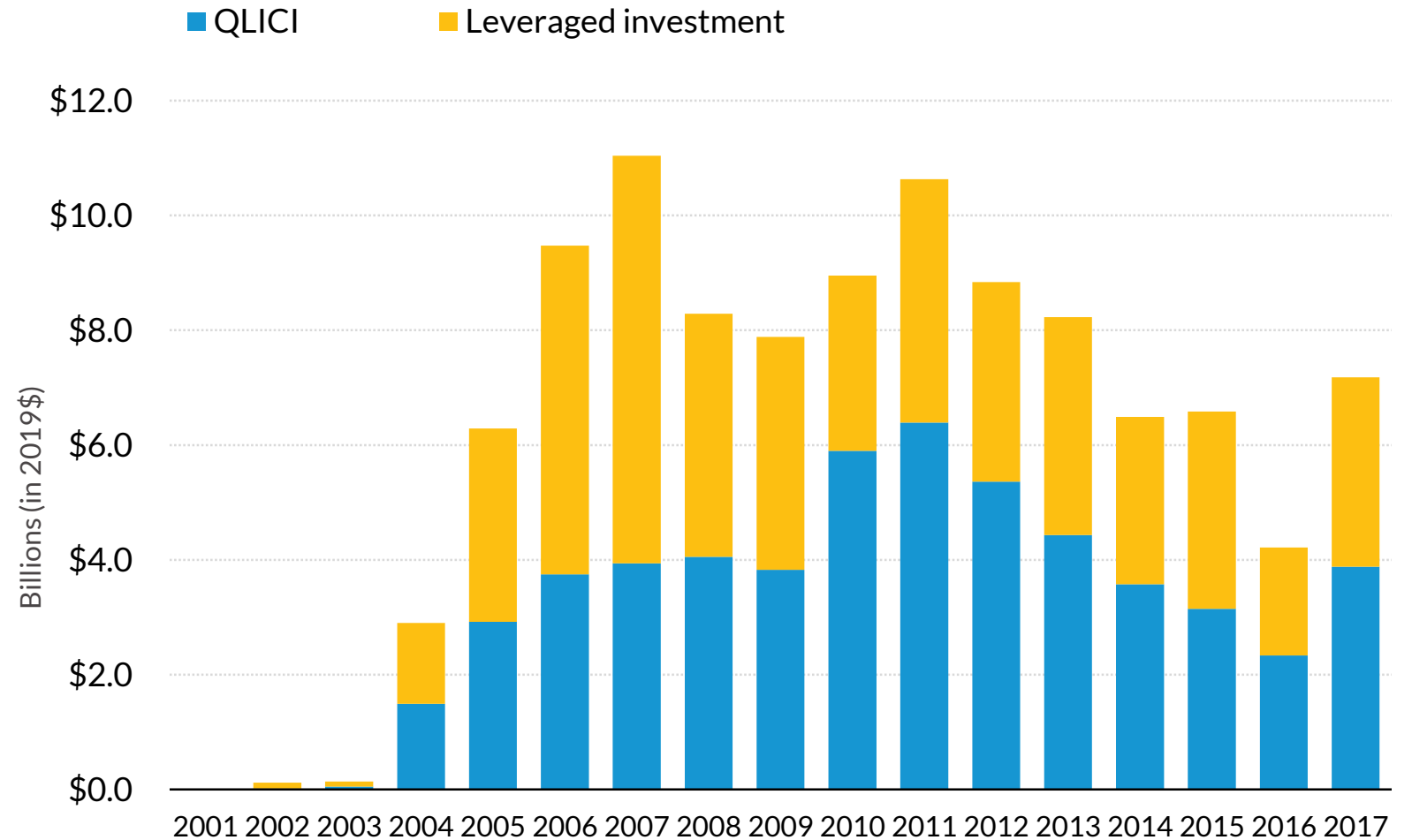
Average per project QLICI is \$8.5 million



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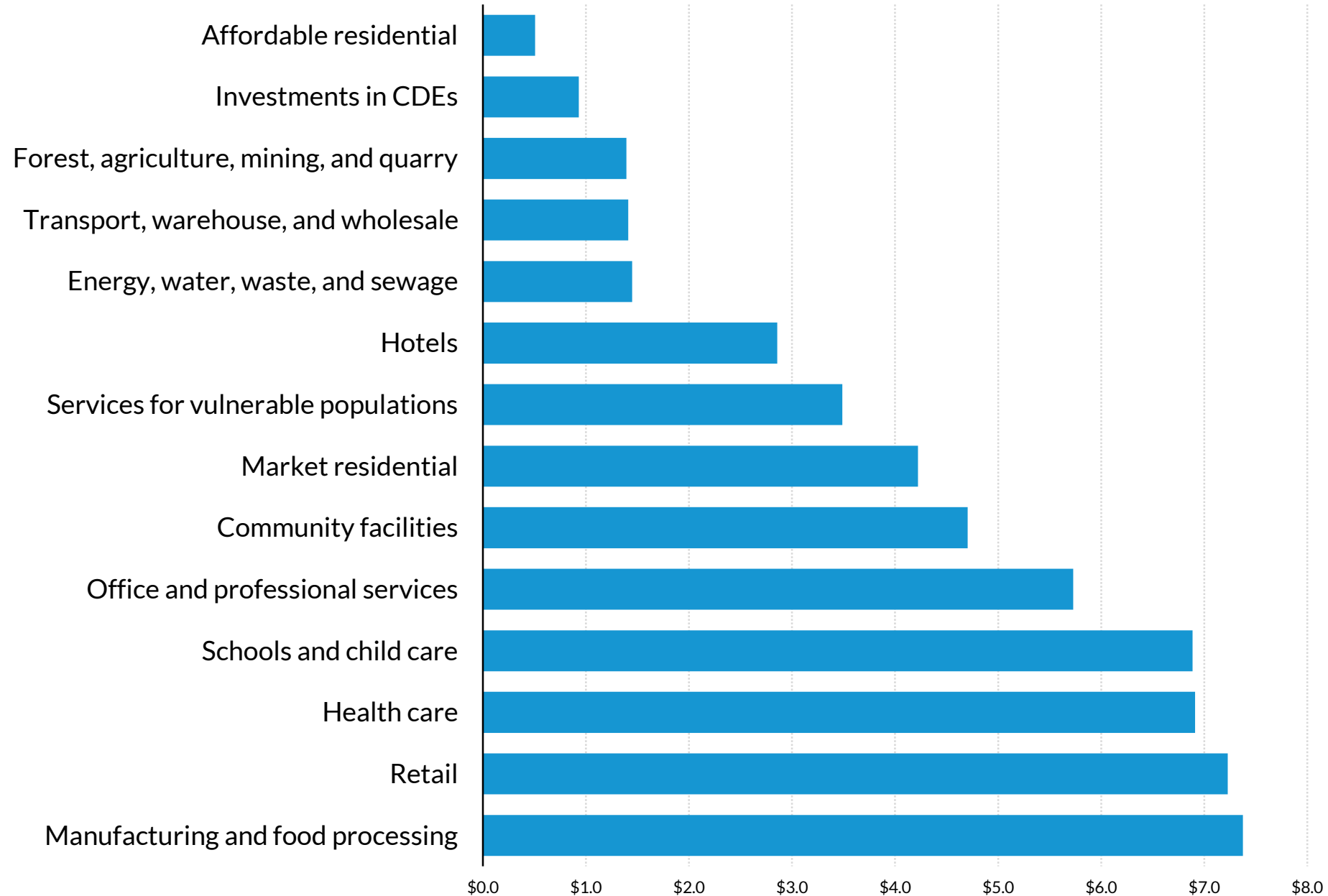
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\$52 billion in “leveraged” funds through 2017



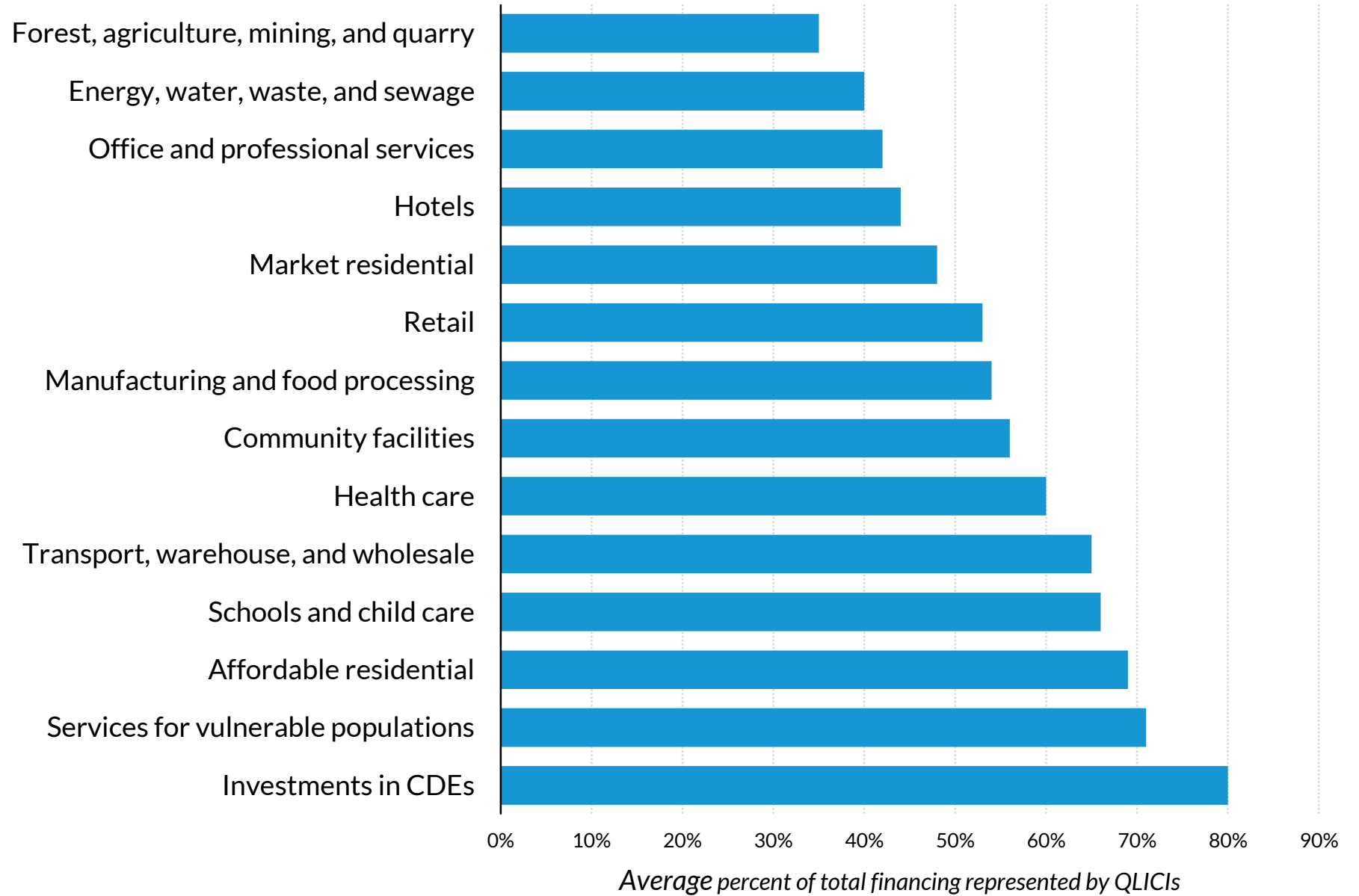
2: What Types of Projects Receive New Markets Tax Credit Funding?

Manufacturing, Retail, Health, and Schools get the biggest shares of NMTC financing



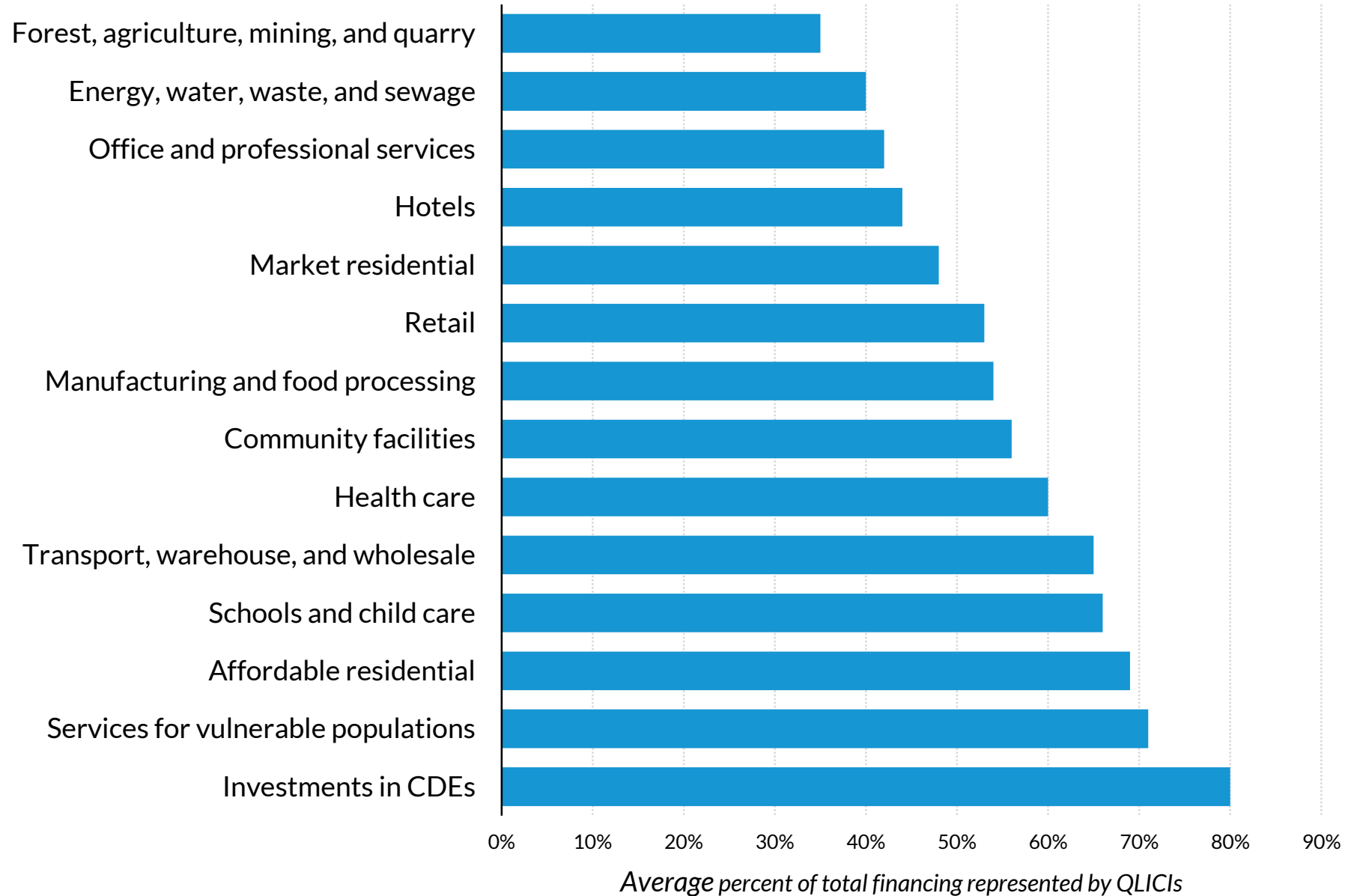
Total QLICI Amount by Project Type, Billions of dollars

Forestry, Ag, Energy highly leveraged



Forestry, Ag, Energy highly leveraged

Services, Affordable housing, School depend more on NMTCs



3: Where Do New Markets Tax Credit Projects Go?

**Of 74,321 census tracts,
more than half (38,063)
were ever eligible for
NMTC funding**

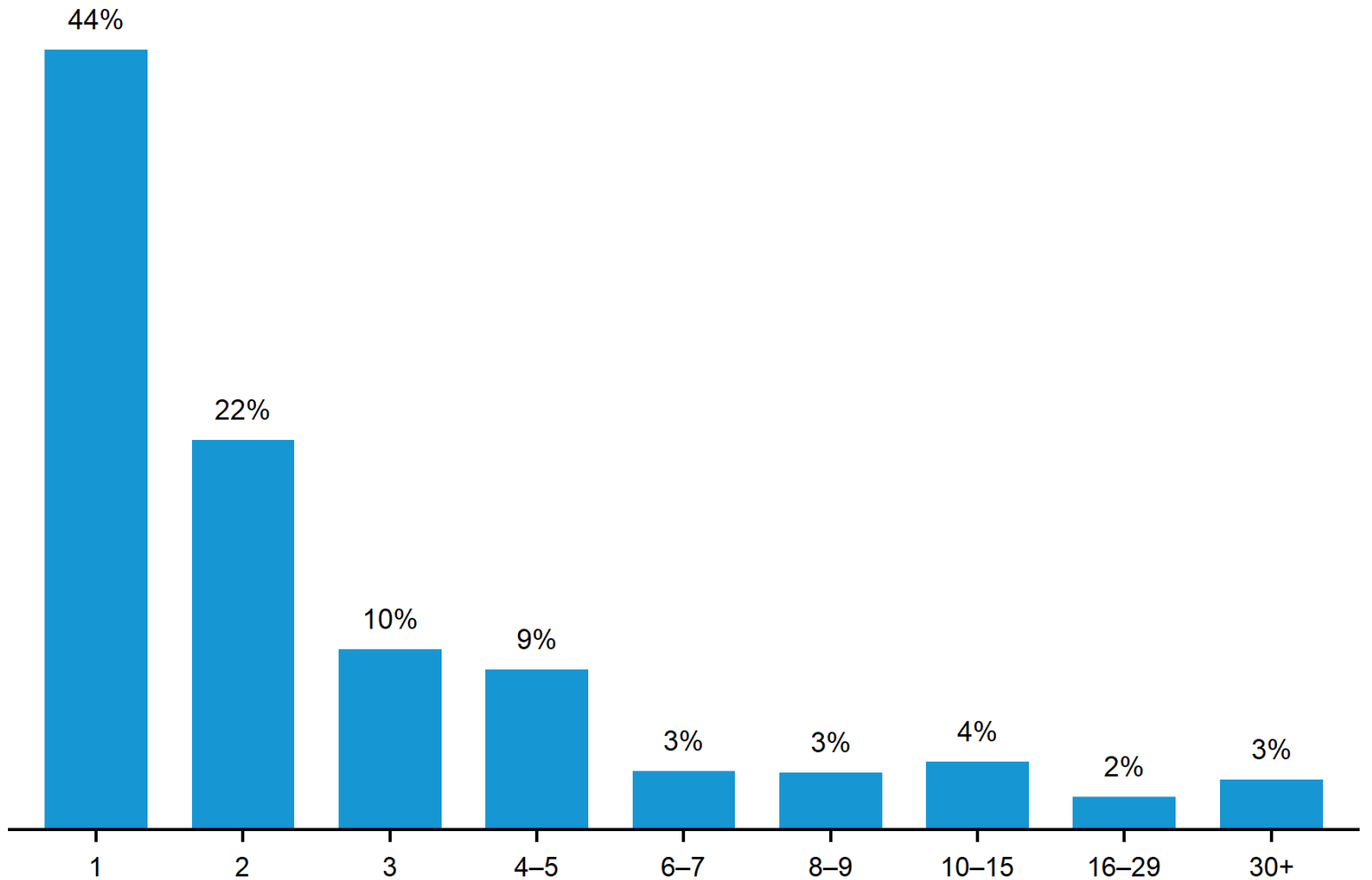
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**5,746 NMTC projects in
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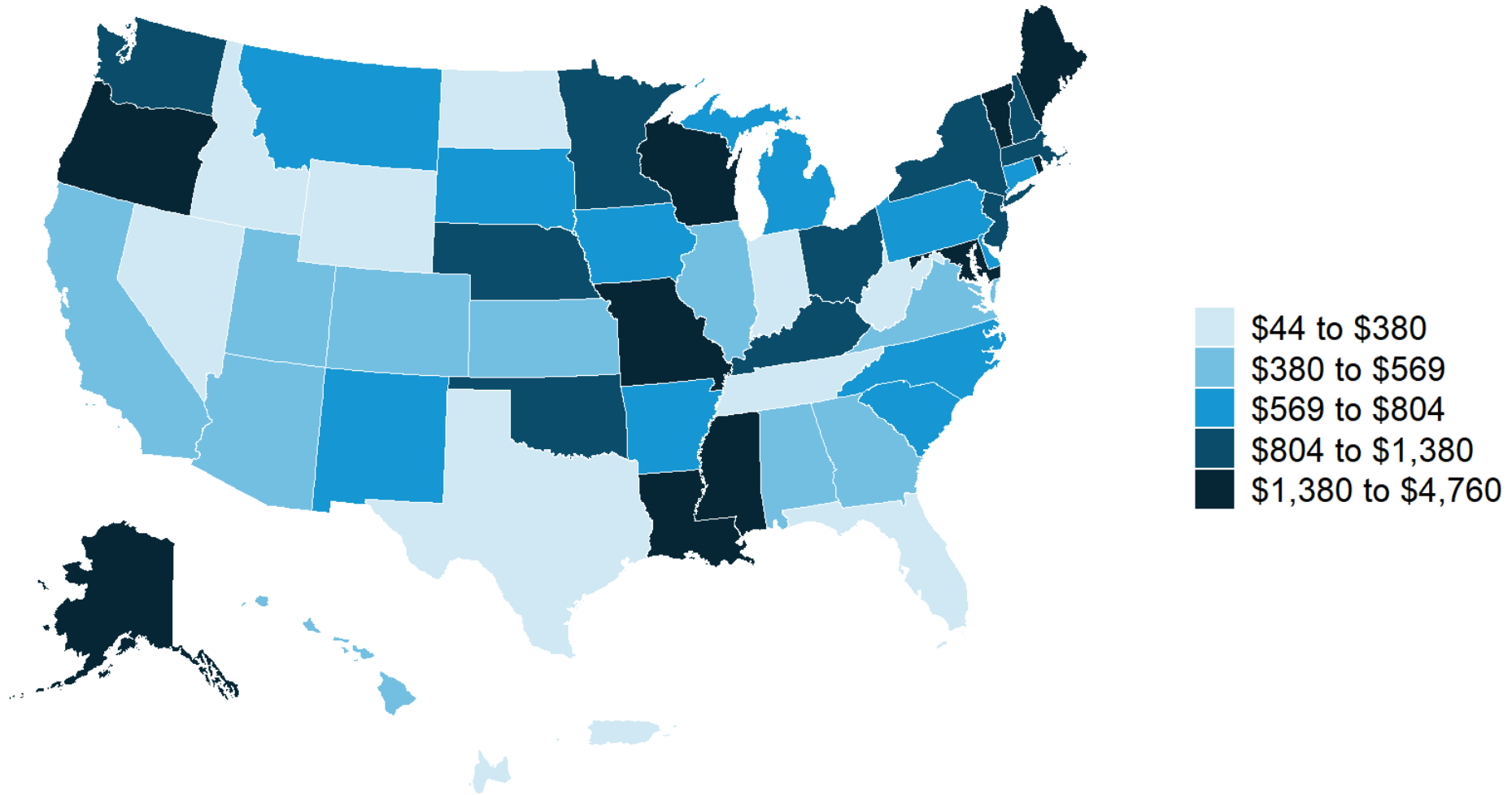
5,746 NMTC projects in 3,654 census tracts (2001-17)

Most NMTC funding went to tracts with 1 or 2 programs, but a small share of tracts got appreciably more projects



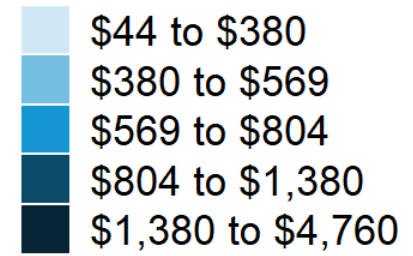
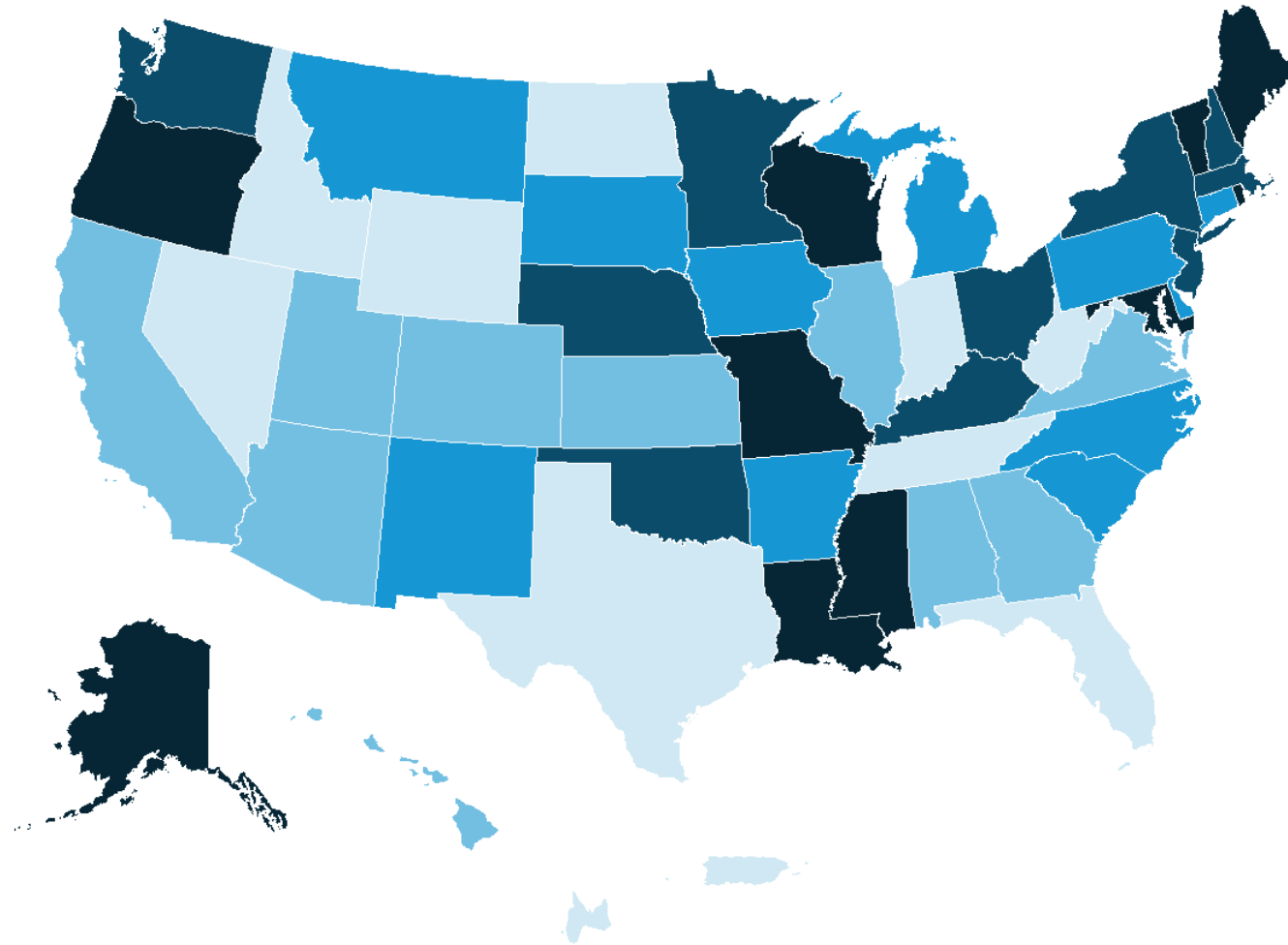
Percent of NMTC investment by number of projects per tract

DC, Rhode Island, Louisiana, Maine, and Wisconsin get the most total investment per population in eligible tracts (2001-17)



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Texas, Wyoming, Nevada, Guam, and Puerto Rico get the least



Large counties do the best per capita at accessing funds, 2001-17

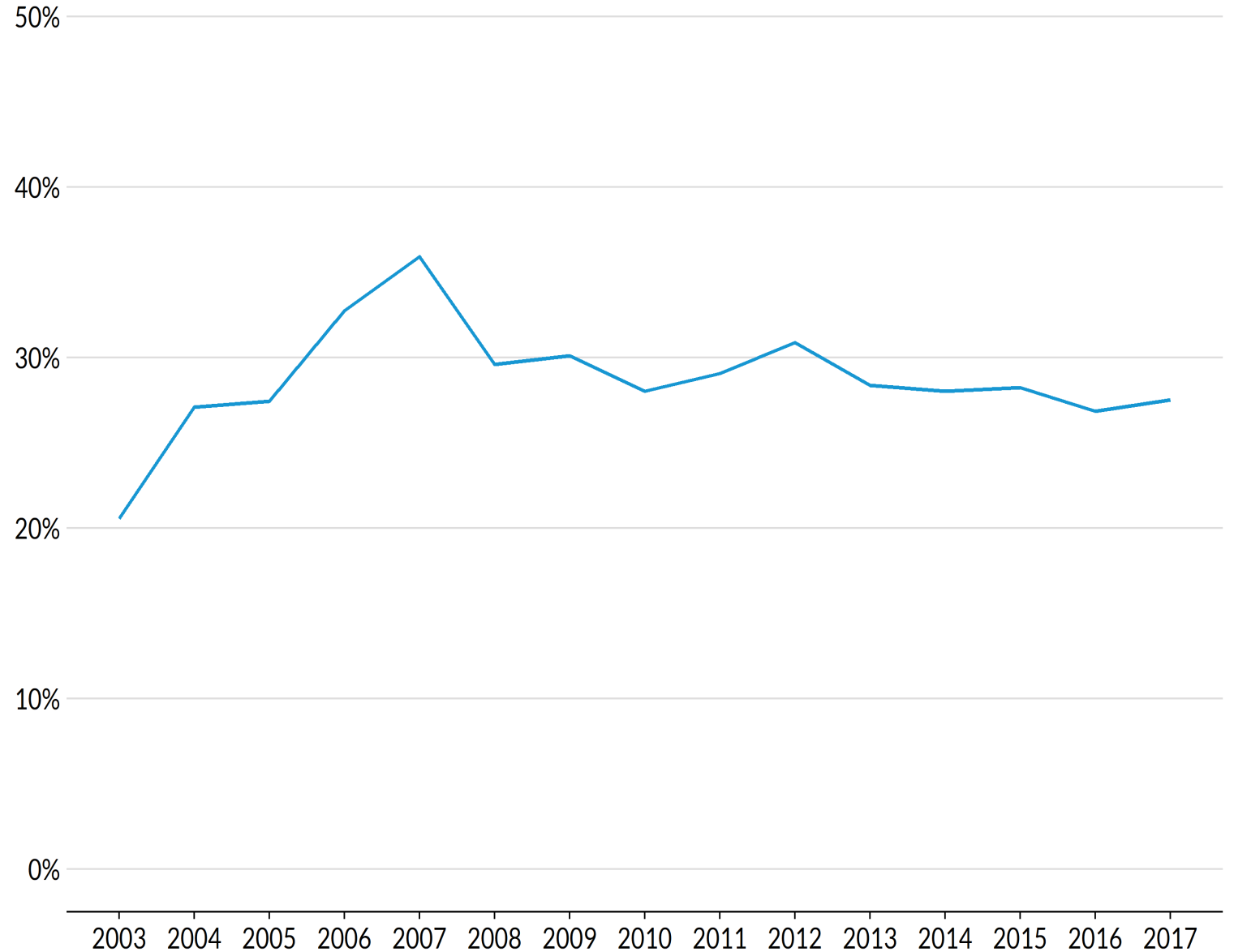
Population of county	% of eligible population	% of projects	% of QLICI investment	% of total project cost
<50,000	18%	14%	13%	13%
50,000 to 99,999	10%	7%	6%	5%
100,000 to 299,999	18%	12%	12%	11%
300,000+	54%	67%	69%	71%

NMTC projects more likely to locate in higher job, but lower income tracts

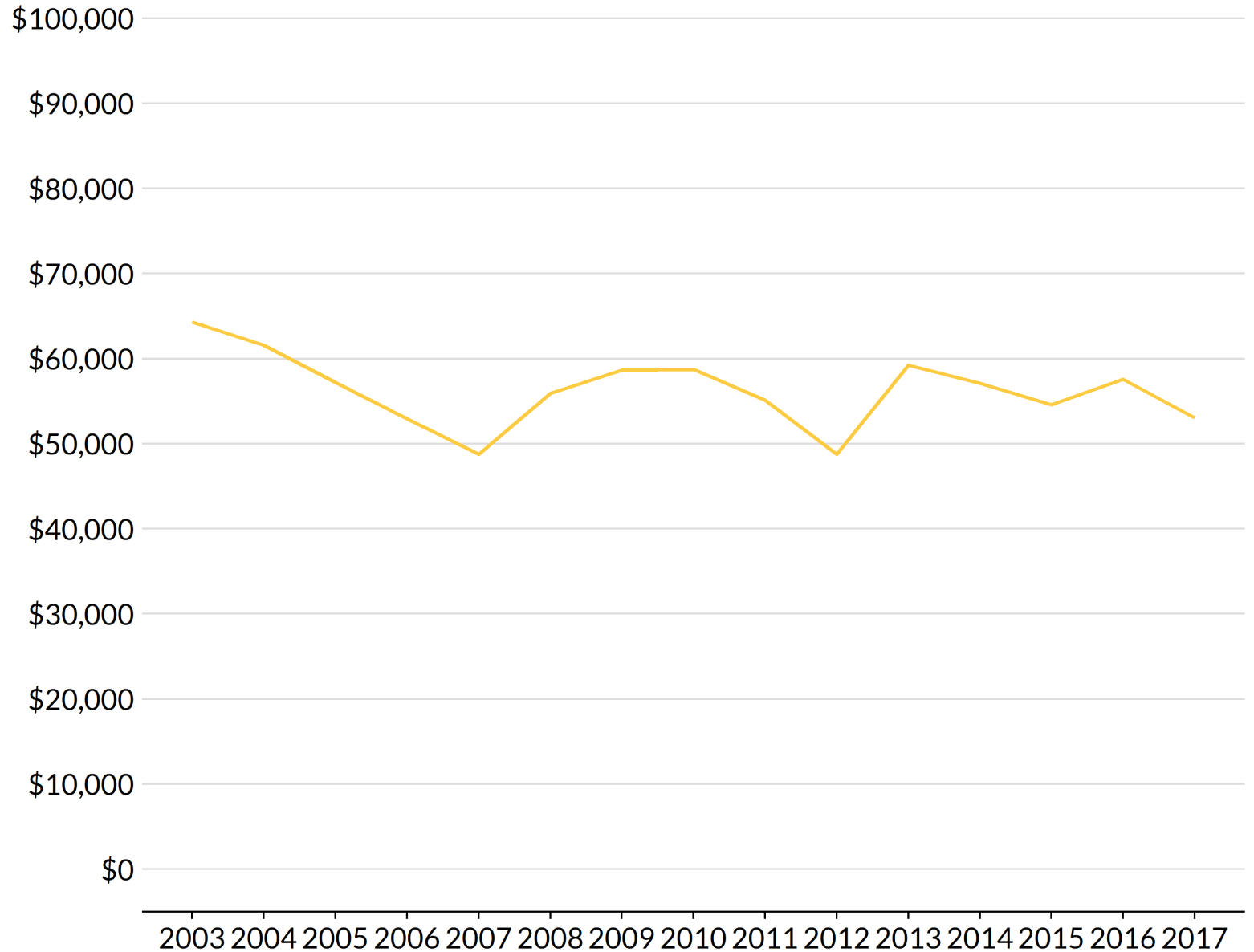
Variable	Received NMTC Project	Eligible, but no NMTC Project
Population in Tract	3,737	3,832
Percent Black	29%	19%
Percent Hispanic	18%	17%
Percent Asian	5%	4%
Percent White	45%	58%
Percent with a Bachelor's Degree	15%	16%
Number of Residents with Jobs	1,341	1,489
Median Household Income	\$41,001	\$50,139
Percent in Poverty	26%	19%
Percent homeowners	39%	51%
Median Gross Rent	\$746	\$813
Number of Jobs in Tract	3,890	1,525

Average Poverty Level in Neighborhoods That Received NMTC Projects over Time

Average poverty level for NMTC tracts initially increased, but has dipped



Average Median Family Income in Neighborhoods That Received NMTC Projects



Average neighborhood income for tracts getting NMTC projects steady over time

4: Which Community Development Entities Receive New Markets Tax Credit Funding?

**337 CDEs have received
1,254 allocation awards**

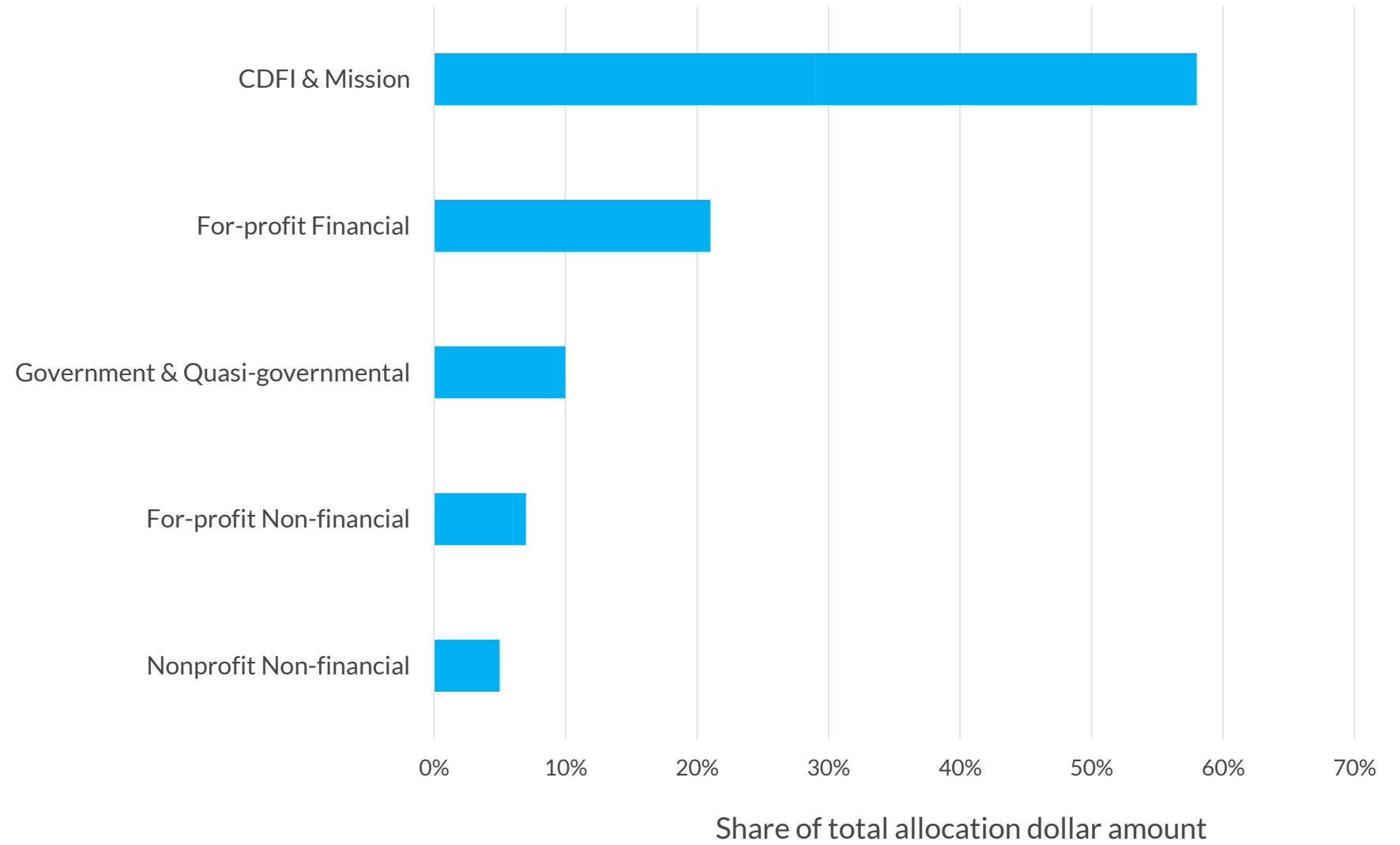
Year	Number of CDEs Receiving Allocations	Number of First-Time CDEs Receiving Allocations	Avg. Dollar Amount of Allocations per CDE
2001-2	66	66	\$47,689,119
2003-4	63	53	\$77,799,928
2005	41	27	\$61,304,451
2006	63	27	\$78,547,529
2007	61	26	\$73,698,228
2008	102	25	\$56,752,334
2009	99	25	\$58,500,184
2010	99	28	\$41,580,236
2011	70	6	\$56,519,625
2012	85	13	\$48,274,363
2013	87	6	\$46,110,217
2014	76	9	\$49,056,320
2015-6	120	12	\$59,518,460
2017	73	3	\$51,149,396
2018	73	4	\$48,604,868
2019	76	7	\$46,690,587
Total	1,254	337	\$55,403,087

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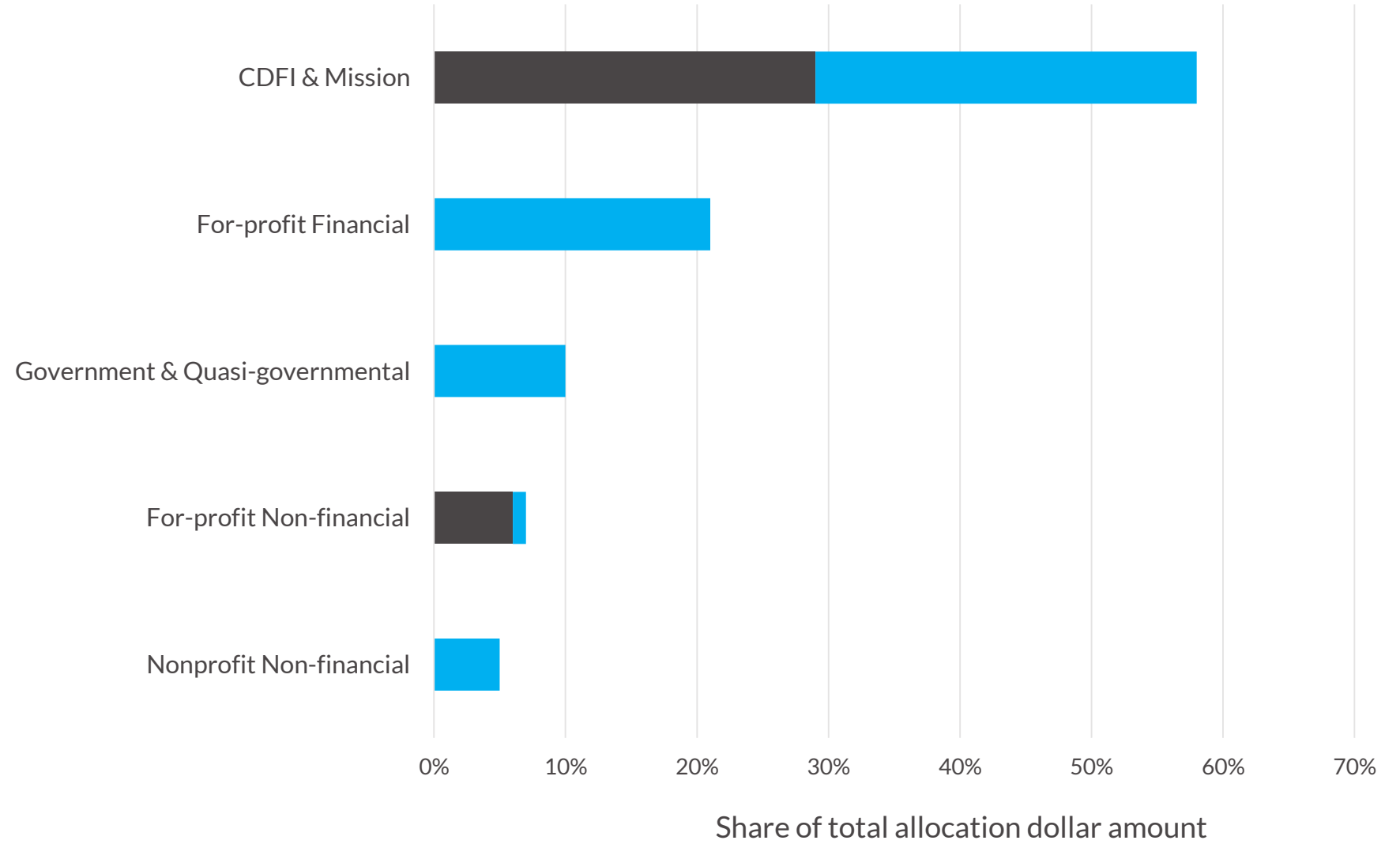
The average allocation is
\$55M

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Most NMTC allocations to CDFI and other mission lenders (2001-2019)

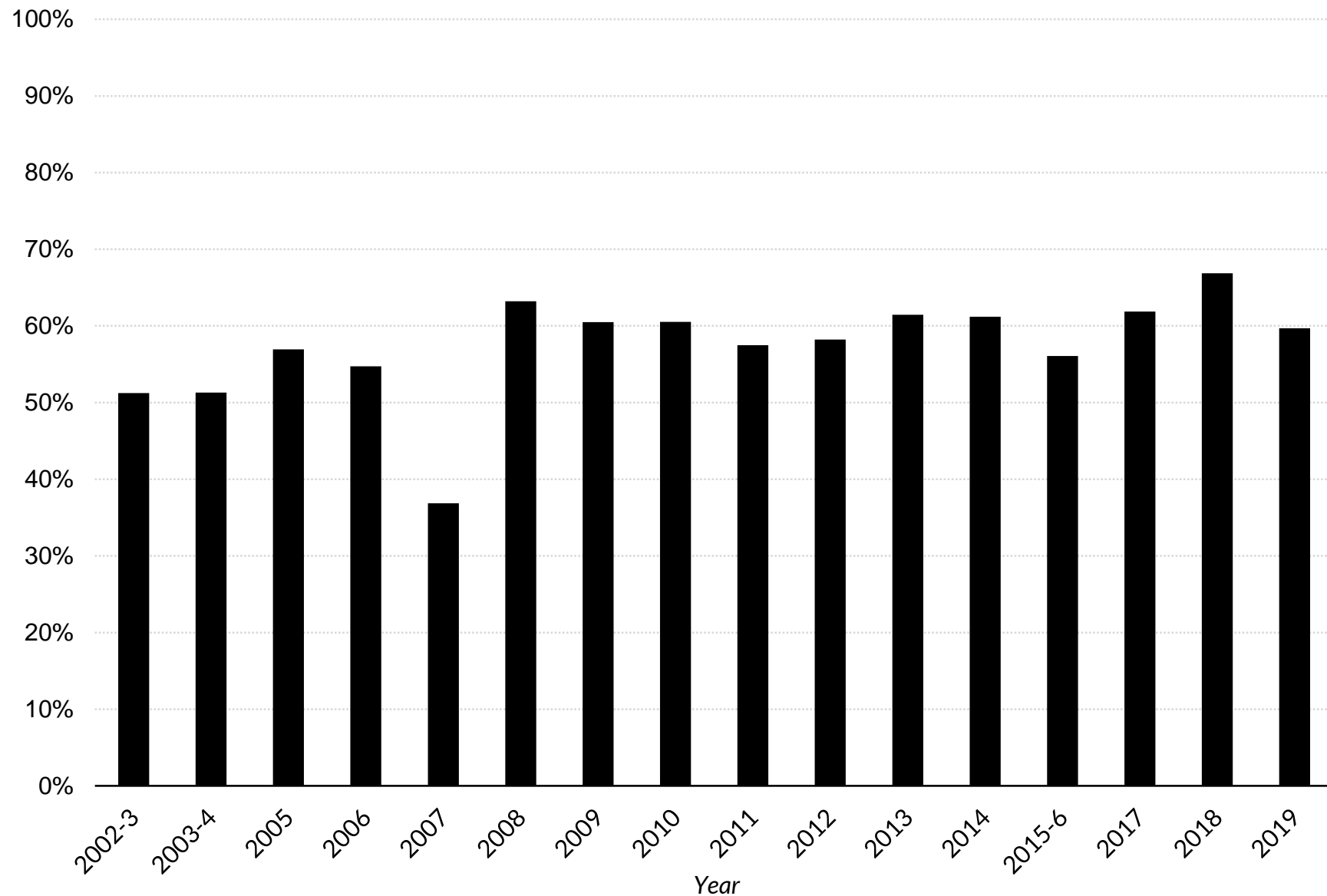


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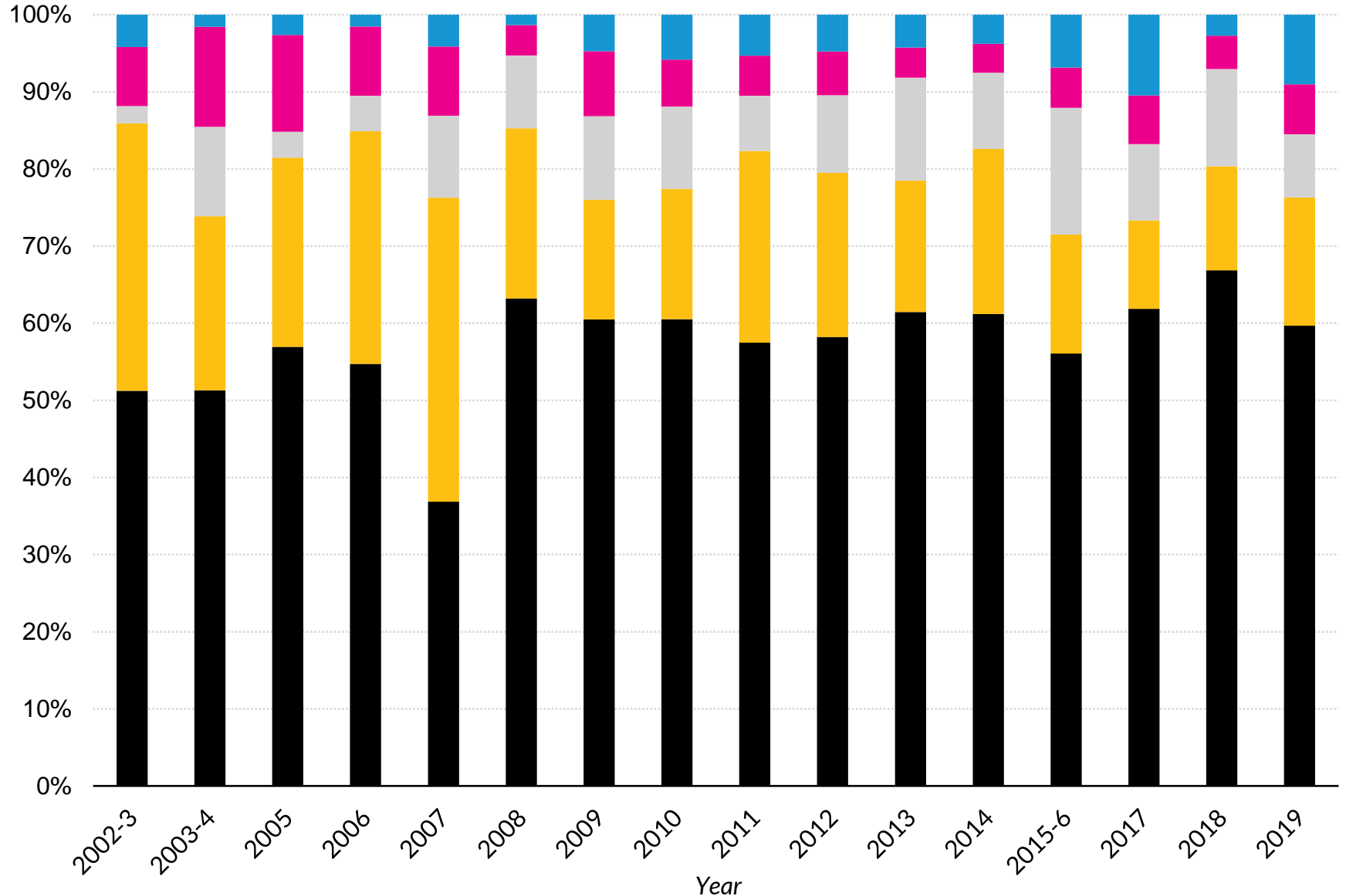
Modestly growing role for CDFI/Mission and Government/Quasi- government

Share of total award amount for CDFI and other mission lenders



- CDFI or Other Mission Lender
- Government or Quasi-Government
- Non-Profit Non-Financial
- For-Profit Financial
- For-Profit Non-Financial

Share of total award amount



Modestly growing role for CDFI/Mission and Government/Quasi-government

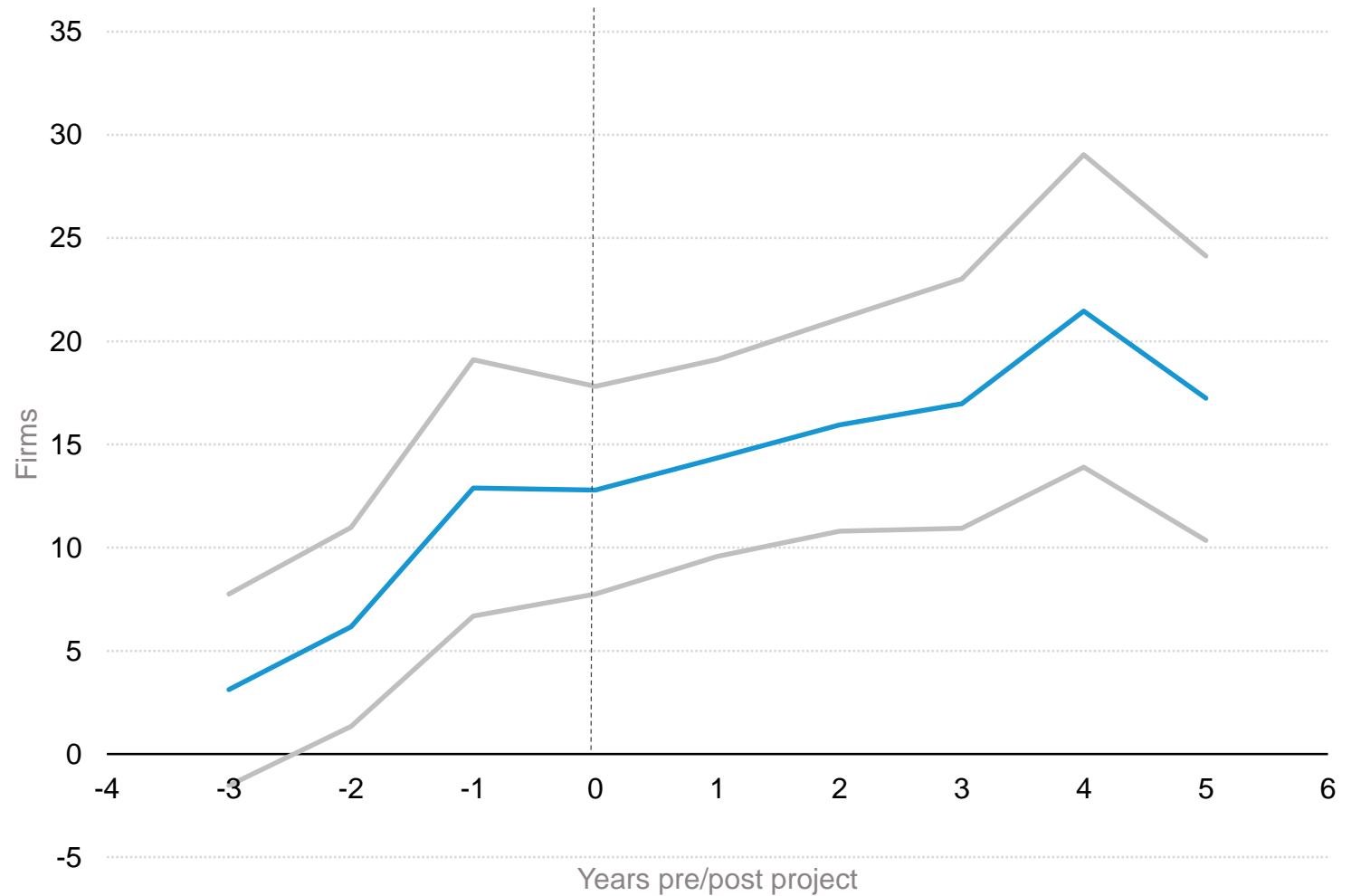
Shrinking role for for-profit financial and for-profit non-financial

5: The Impact of the New Markets Tax Credit Program on Firms, Jobs, and Poverty

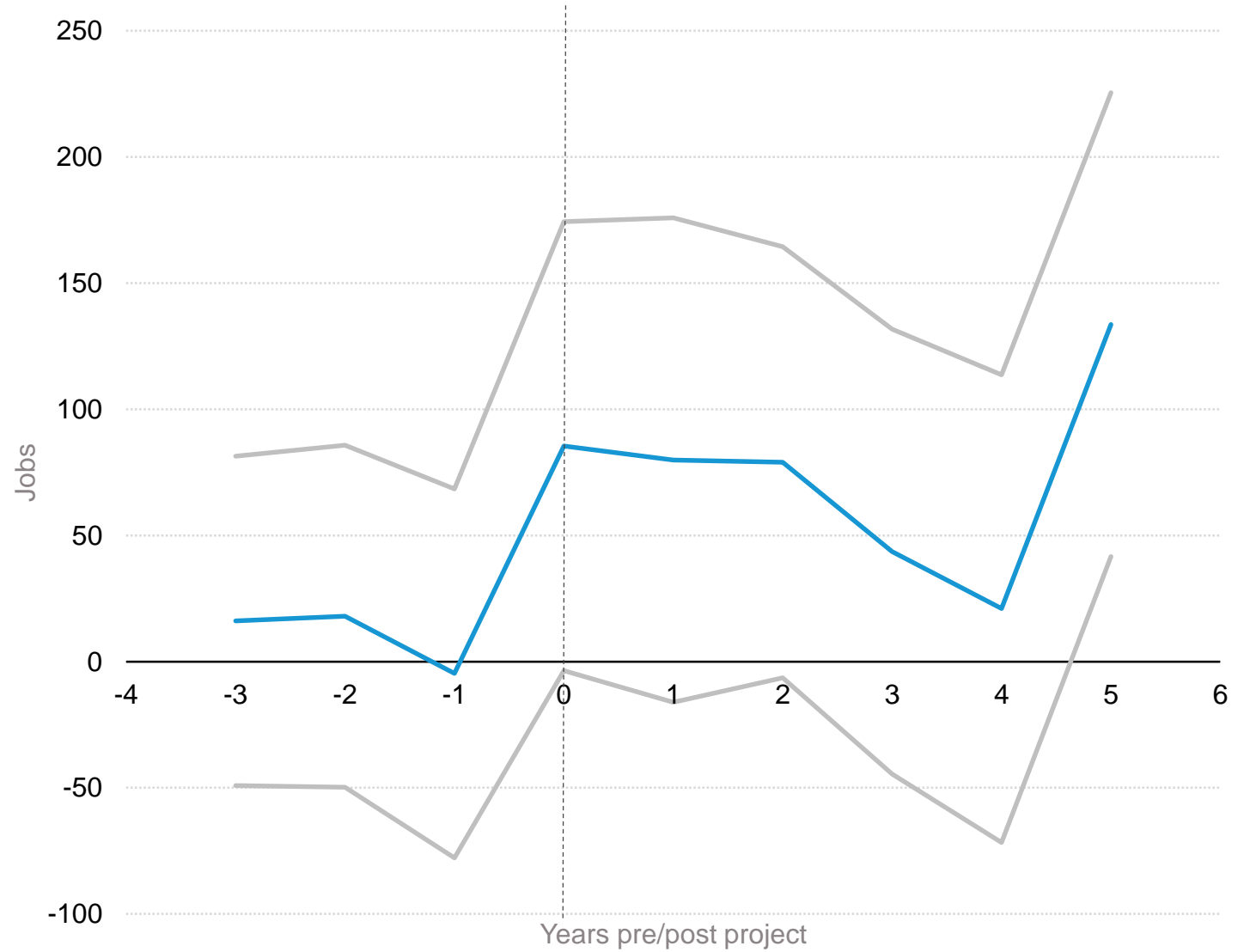
Estimated effects on firm, job, income, and poverty

	Firms	Jobs in Neighborhood	Residents with Jobs	Median Income	Poverty Rate (out of 100)
Estimated Effect per NMTC Project	17.7*** (3.1)	101.4** (40.7)	26.6*** (5.1)	561.5*** (146.8)	-0.65*** (0.099)
Estimated Effect of \$1 million Investment	1.7*** (0.3)	6.9** (3.2)	2.5*** (0.5)	55.3*** (14.5)	-0.044*** (0.0092)

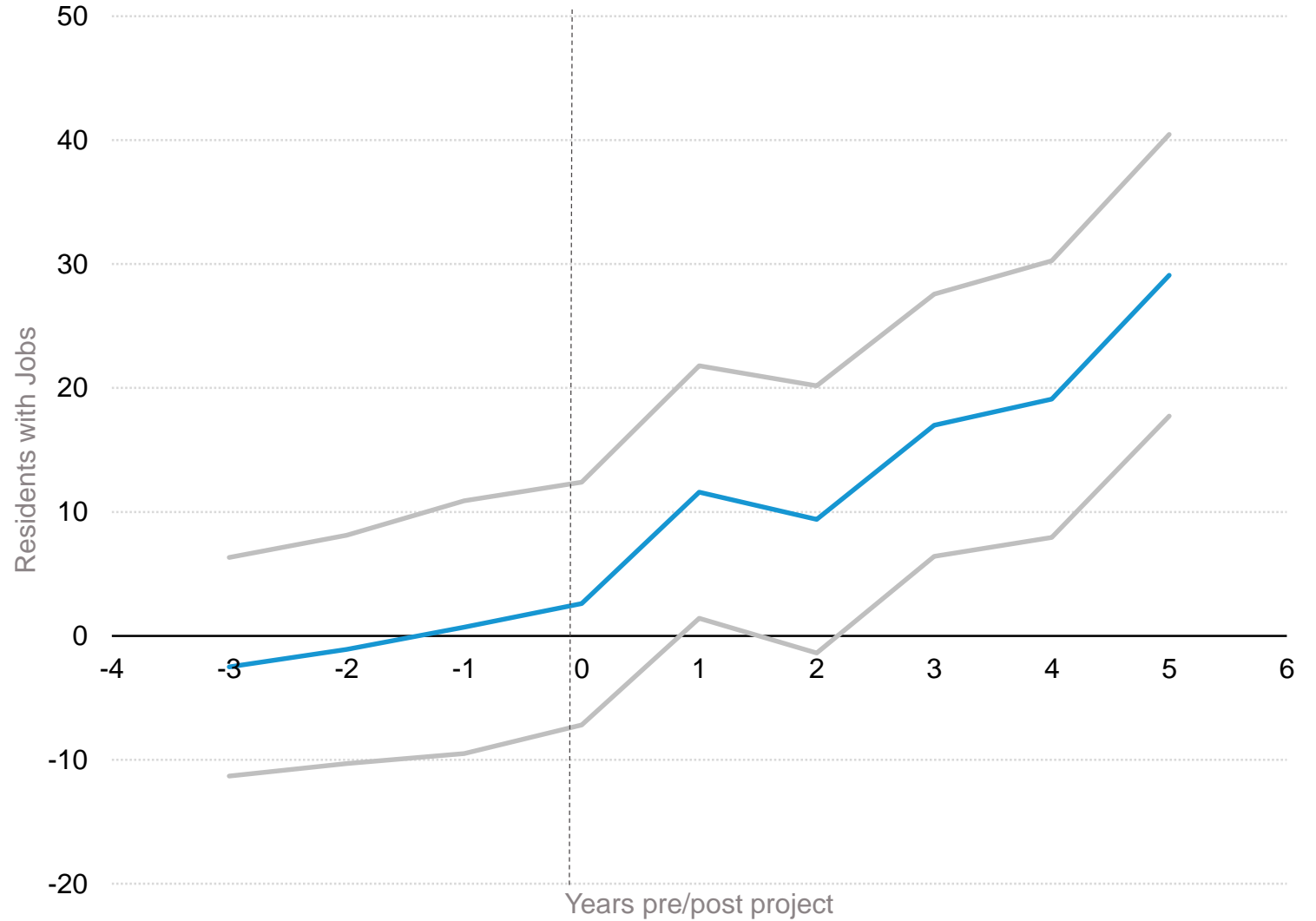
Business Growth Before and After NMTC investment



Job Growth After NMTC investment



Number of Residents with Jobs Before and After NMTC investment



Estimated effects on population, education, and turnover

	Population	Population with a Bachelor's Degree	Turnover Rate
Estimated Effect per NMTC Project	36.9*** (11.9)	40.6*** (8.03)	0.40*** (0.13)
Estimated Effect of \$1 million Investment	3.26** (1.37)	3.73*** (1.03)	0.016 (0.011)

Estimated effects by project type: firms, jobs, income, and poverty

	Firms	Jobs	Residents with Jobs	Median Income	Poverty Rate (out of 100)
Retail	5.2 (4.9)	168.3** (79.8)	21.4* (12.9)	1139.2*** (364.2)	-0.53* (0.27)
Manufacturing and Food Processing	5.5 (4.2)	23.7 (105.6)	-27.6* (15.2)	-512.6 (359.7)	0.091 (0.34)
Office and professional services	28.6*** (8.1)	40.2 (163.6)	29.2* (16.1)	489.0 (448.7)	-0.47 (0.40)
Healthcare Services	25.6*** (8.3)	192.5 (142.4)	-16.9 (19.9)	-789.8* (428.4)	-0.29 (0.36)
Schools and Childcare	5.0 (4.9)	210.6 (176.5)	57.3*** (16.9)	1531.6*** (581.5)	-1.81*** (0.40)
Community Facilities	7.2 (8.4)	107.3 (192.2)	80.5*** (23.5)	2222.1*** (817.6)	-1.15** (0.53)
Services for Vulnerable Populations	22.3*** (7.8)	25.2 (186.3)	43.1 (26.8)	-279.3 (533.7)	-0.72 (0.47)
Market Rate Residential	-18.5 (13.5)	-286.3* (158.3)	17.2 (19.3)	1160.8*** (450.5)	-0.77** (0.39)
Hotels	56.2** (22.9)	-11.4 (297.2)	55.1* (30.9)	2074.6** (929.2)	-1.15* (0.69)
Transportation and Warehousing	11.8* (6.9)	144.0 (161.3)	43.0 (47.4)	-675.8 (570.8)	-0.25 (0.62)
Affordable Residential	11.7 (16.3)	-262.5 (225.1)	17.8 (47.2)	17.2 (963.3)	-0.27 (0.87)

Estimated effects by project type: population, education, and turnover

	Population	Population with a bachelor's degree	Turnover Rate (out of 100)
Retail	23.6 (23.5)	30.6*** (12.0)	-0.083 (0.23)
Manufacturing and Food Processing	-52.2** (26.5)	-5.63 (12.1)	-0.30 (0.25)
Office and professional services	80.8*** (30.8)	55.1*** (14.6)	0.38 (0.28)
Healthcare Services	-47.0 (30.0)	6.50 (14.6)	-0.17 (0.33)
Schools and Childcare	88.5** (38.2)	95.7*** (20.3)	0.046 (0.31)
Community Facilities	104.5** (48.7)	72.8** (31.7)	0.58 (0.40)
Services for Vulnerable Populations	34.9 (49.3)	64.9*** (23.4)	0.43 (0.41)
Market Rate Residential	21.5 (26.5)	48.3** (21.5)	1.22*** (0.47)
Hotels	124.5* (64.7)	83.4** (40.2)	1.03 (0.75)
Transportation and Warehousing	23.8 (80.4)	-17.1 (25.5)	-0.45 (0.57)
Affordable Residential	76.2 (87.5)	20.3 (28.2)	-0.58 (0.63)

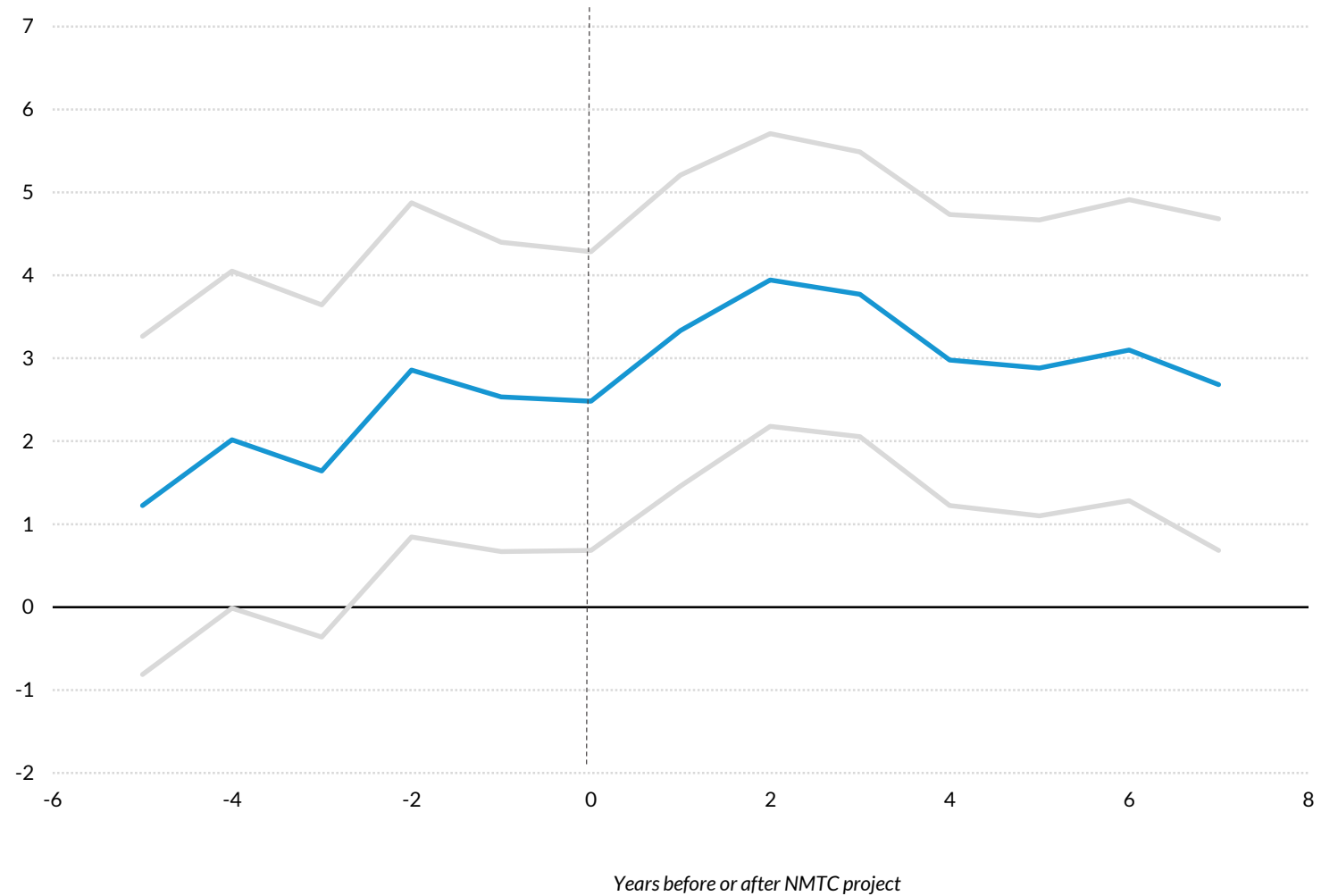
6: The Impact of the New Markets Tax Credit Program on Local Housing Markets

Estimated Impact of NMTC Projects on Property Values and Mortgages

	Sales Price (Change in Logged Value)	Number of Mortgages	Average Mortgage (Change in Logged Value)
	Within 1 mile	Within Census Tract	
Effect of NMTC Projects with Positive Expected Impact	0.024*** (0.0004)	1.95*** (0.59)	0.026*** (0.0052)
Total QLICI of Projects with Positive Expected Impact (in Millions of 2019 Dollars)	0.002*** (0.00002)	0.11*** (0.04)	0.001*** (0.0004)

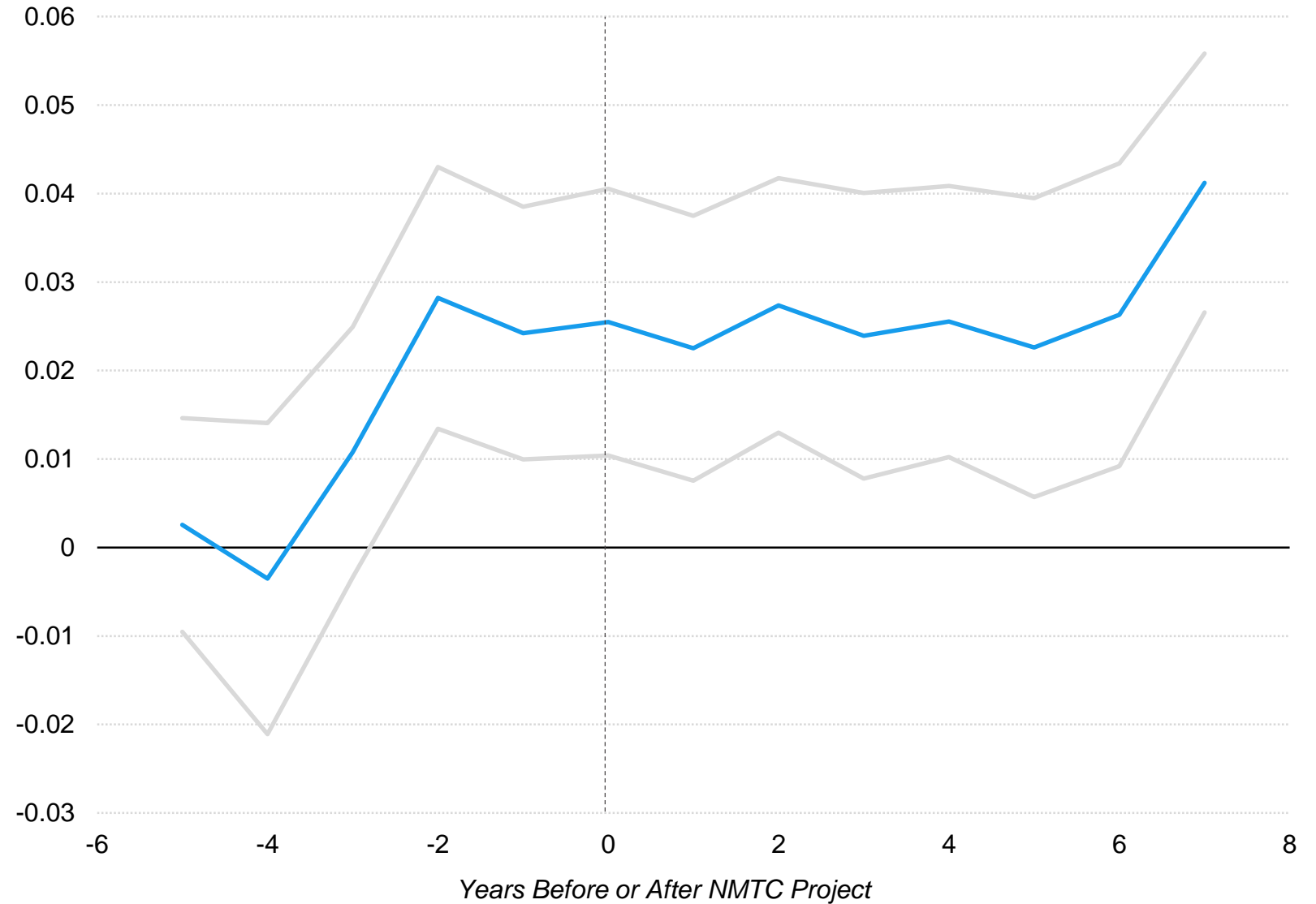
Average Growth in Number of New Mortgages Before and After NMTC investments

Change in number of new mortgages

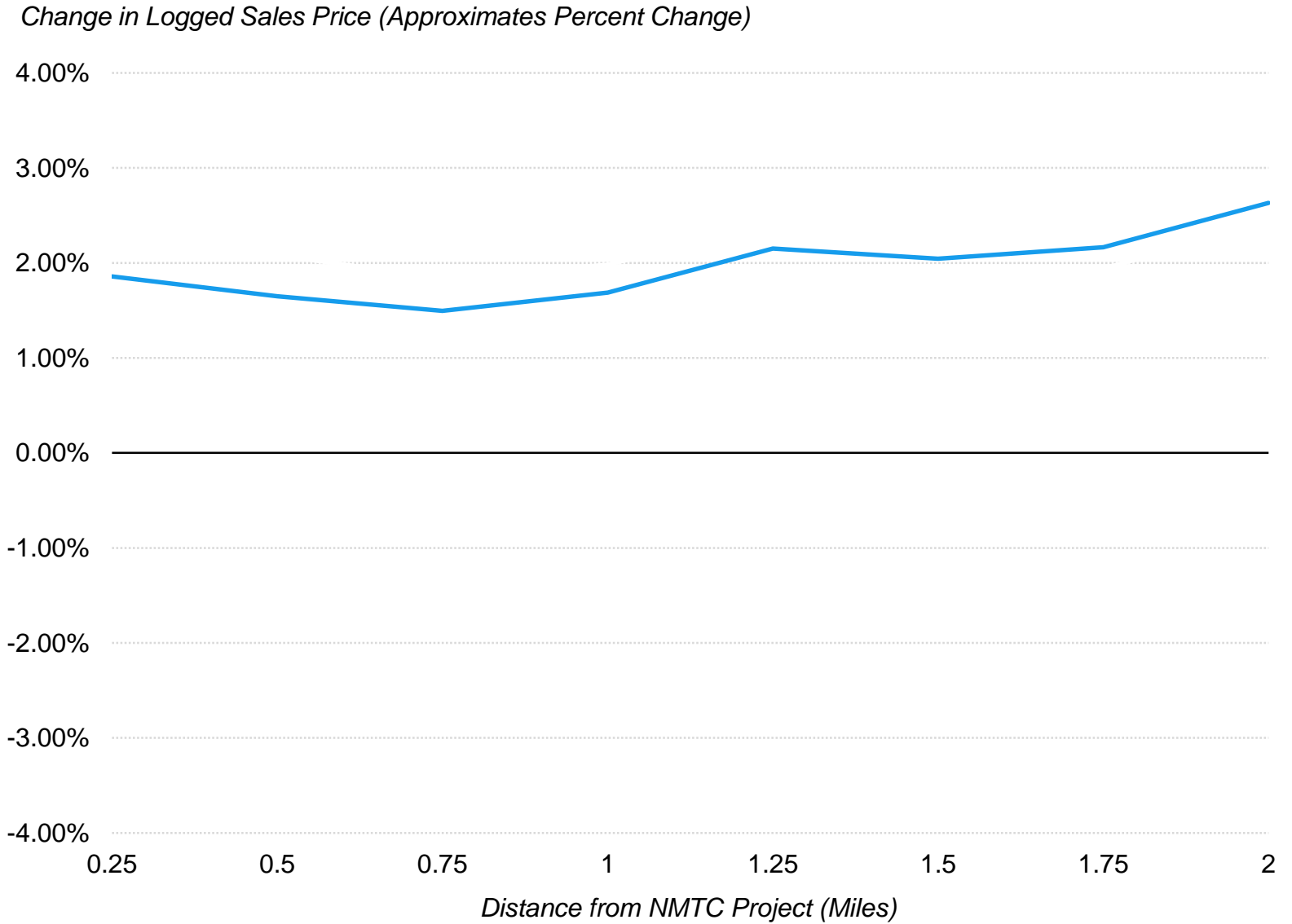


Average Growth in Average Value of New Mortgages Before and After NMTC Investments

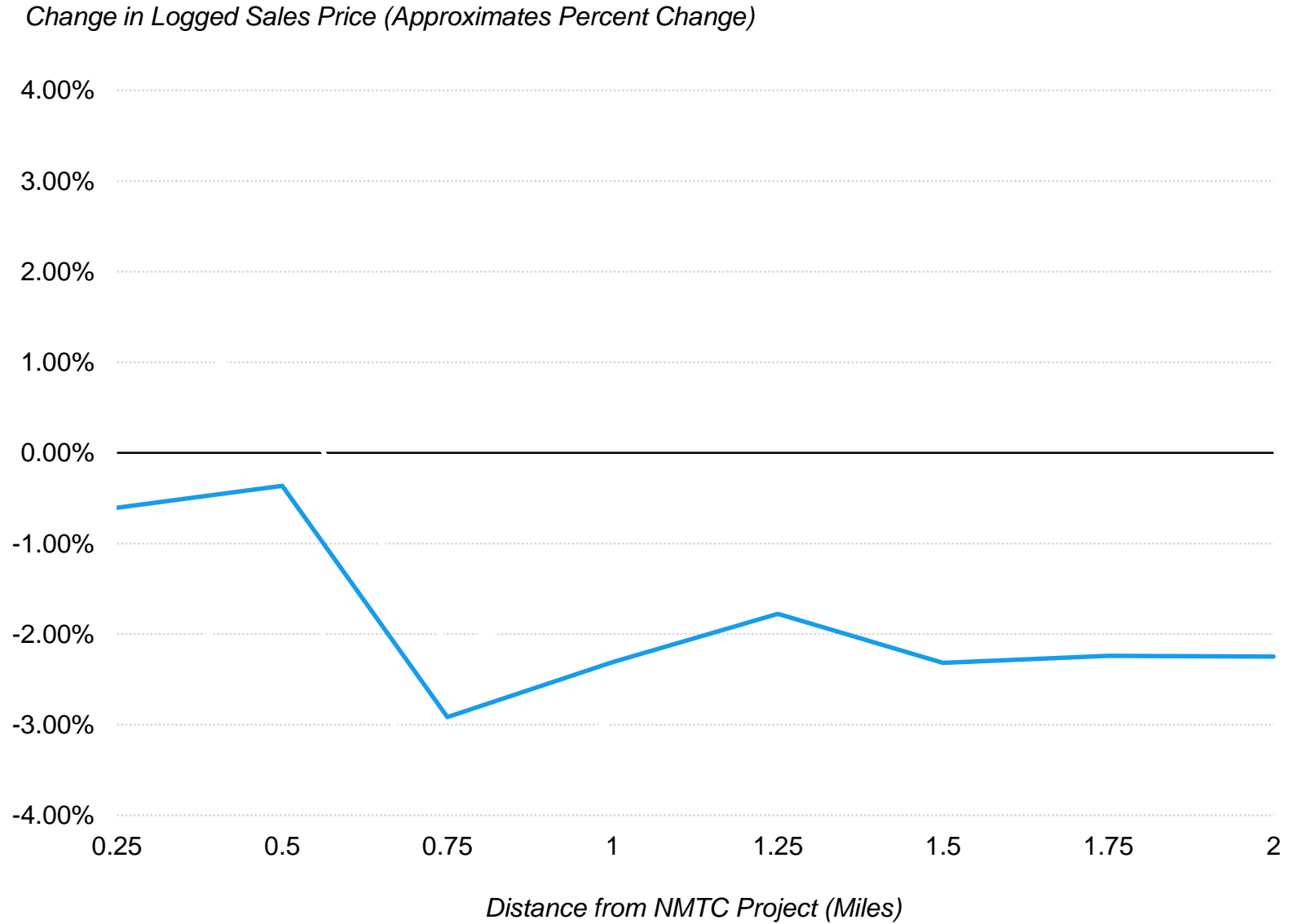
Change in Average Logged Mortgage Value (Approximates Percent Change)



Change in Property Value by Distance from NMTC Projects with Expected Increase in Property Values



Change in Property Value by Distance from NMTC Projects with Expected Decrease in Property Values



Estimated effects on property values within 1 mile and mortgages in the same tract by project type

	Sales Price (Change in Logged Value)	Mortgages	Average Mortgage Value
Retail	0.027*** (0.001)	0.58 (1.41)	-0.005 (0.012)
Manufacturing and Food Processing	-0.051*** (0.002)	3.48*** (1.14)	-0.025 (0.018)
Office and professional services	0.005*** (0.002)	-3.05 (2.37)	-0.025 (0.015)
Healthcare Services	0.040*** (0.002)	3.76*** (1.38)	0.025 (0.016)
Schools and Childcare	-0.000 (0.001)	-3.17* (1.91)	0.035* (0.018)
Community Facilities	0.062*** (0.002)	7.81*** (1.81)	0.047** (0.019)
Services for Vulnerable Populations	0.020*** (0.002)	-0.90 (3.13)	0.008 (0.023)
Market Rate Residential	-0.030*** (0.002)	4.21*** (1.63)	0.044*** (0.016)
Hotels	0.128*** (0.004)	4.06 (3.74)	0.057** (0.025)
Transportation and Warehousing	-0.053*** (0.005)	-1.86 (5.51)	-0.044 (0.032)
Affordable Residential	0.012*** (0.004)	-3.29 (4.46)	-0.083* (0.043)
Energy, water, waste, and sewage	0.034*** (0.006)	7.31** (3.70)	0.039 (0.034)
Forest, agriculture, mining, and quarry	-0.119*** (0.020)	18.6*** (3.36)	0.078*** (0.029)



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