June 17, 2019

U.S. Senate Finance Committee
Employment and Community Development Task Force

To Whom It May Concern:

We thank the Senate Finance Committee, and in particular the Employment and Community Development Task Force, for its consideration of the new markets tax credit (I.R.C. 45D). Enterprise Community Partners and Enterprise Community Loan Fund, Inc. are pleased to provide our comments and recommendations on this critical community development tool.

Enterprise is a leading provider of the development capital and expertise it takes to create decent, affordable homes and rebuild communities. Since 1982, we have raised and invested $43.7 billion in equity, grants and loans to help build or preserve nearly 585,000 affordable homes in diverse, thriving communities. This includes community investments through Enterprise Community Loan Fund, Inc., a Treasury Department-certified Community Development Financial Institution (CDFI) and one of the largest nonprofit loan funds in the country. Enterprise Community Loan Fund, Inc. has invested more than $1.7 billion in low-income communities and helped to build or renovate nearly 110,000 affordable homes nationwide. Enterprise has placed more than $947 million of NMTC equity in 85 commercial and mixed-use developments in distressed urban centers and rural communities across 23 states and Washington, D.C. Enterprise's NMTC developments have included rental and for-sale homes, offices, retail, community centers, shelters, health care centers and schools. In each case, our allocation has helped facilitate the completion of a vital local development that otherwise would not have moved forward.

As a proven public-private partnership that leverages private investment to grow local economies, create jobs, and transform neighborhoods, Enterprise urges Congress to make the New Markets Tax Credit (NMTC) a permanent part of the U.S. tax code.

In this memo you will find our responses in order of the questions provided by the Task Force.

1) *In your view, what was the original purpose and legislative intent of this provision? How has the provision met the original intent?*

The NMTC was authorized in the Community Renewal Tax Relief Act of 2000 (PL 106-554) as part of a bi-partisan effort to stimulate investment and economic growth in low income urban neighborhoods and rural communities that lack access to the patient capital needed to support and grow businesses, create jobs, and sustain healthy local economies.

Since its inception, the NMTC has proven to be an effective, targeted and cost-efficient financing tool valued by businesses, communities and investors across the country. Between 2003 and

2016, NMTC investments directly created more than one million jobs and leveraged nearly $90 billion in capital investment in credit-starved businesses in communities with high poverty and unemployment rates.[1] By law, all NMTC investments must be made in economically distressed communities. NMTCs have been successful at targeting many of the communities with the greatest need; more than 72 percent of all NMTC investments have been in communities exhibiting *severe* economic distress, including unemployment rates more than 1.5 times the national average, a poverty rate of 30 percent or more, or a median income at or below 60 percent of the area median.[2]

2) *Since the provision was enacted, have there been policy changes that have altered the purpose of this provision? How have these changes impacted the ability to meet the original intent? Have these changes improved the provision?*

The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided an additional $3 billion of NMTC allocation authority. Of this amount, $1.5 billion was made available to CDEs that had applied and scored highly through the 2008 NMTC allocation round but did not receive an allocation, and $1.5 billion was added to the $3.5 billion of NMTC investment authority that was already authorized to be allocated to CDEs through the 2009 application round. With the additional $3 billion in Recovery Act allocation authority, the CDFI Fund was able to increase the volume of NMTC investments in low-income communities by 30 percent over what would otherwise have been available through Congressional authorizations and was able to make NMTC awards to approximately 56 additional CDEs – helping to support economic development projects in more locations across the country.

Enterprise received an allocation of $95 million from the Recovery Act allocation authority. With those funds, Enterprise completed seven investments that resulted in the creation of 1,080 permanent jobs and 1,797 construction jobs.

3) *Since the provision was enacted, have there been other external changes that have altered the purpose of this provision?*

The NMTC has consistently had bipartisan support, but it has also proven to be a critical disaster recovery tool. In recognition of the importance and challenges with disaster recovery, Congress previously enacted an emergency expansion of the NMTC. In the wake of Hurricane Katrina, Congress passed the Gulf Opportunity Zone (GO Zone) Act of 2005, which included a temporary $1 billion expansion of the NMTC. NMTCs were awarded to CDEs targeting the GOZONE in two competitive rounds (2006 and 2007), generating an estimated $2 billion in economic activity and 23,000 jobs in high poverty disaster affected areas of the Gulf Coast.

4) *As currently drafted, does the provision achieves its stated purpose?*

Yes, from our experience with the NMTC, the program is successfully fulfilling its stated purpose and as a critical community development tool with bipartisan support warrants permanent extension.

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[1] NMTC Coalition. https://nmtccoalition.org/wp-content/uploads/2019/05/NMTC-Extension-Act-2019-Joint-Fact-Sheet.pdf.
[2] NMTC Coalition. https://nmtccoalition.org/fact-sheet/.

5) *Are there potential reforms to this provision that would strengthen it and allow it to better achieve its stated purpose?*

Since the NMTC was established, it has been reauthorized numerous times on a bipartisan basis, most recently in the 2015 PATH Act, which extended the NMTC through 2019. Although the NMTC has been successful despite the program's uncertainty, the temporary nature of the NMTC and forthcoming expiration of this critical tax provision has prevented the NMTC market from reaching its full potential.

In addition to allowing the program to lift-up more distressed communities, permanency would provide stability and certainty to this effective community development tool for low-income communities. NMTC equity pricing would subsequently increase, providing for greater program efficiency and increased leveraging of private capital.

6) *How has the temporary nature of the provision affected its ability to achieve its stated purpose, if at all?*

Due to the temporary nature of the NMTC, Enterprise has cautiously maintained a lean staff to administer the NMTC given the uncertainty around the future of the program. While our NMTC team has effectively deployed $947 million of NMTC equity, with a permanent extension of the program we would invest further resources and capacity toward NMTC allocation, which would enable us to further advance the program. With more certainty that the program will exist year-after-year, more CDEs would likely invest in technologies to better track community outcomes and overall make NMTC-related practices more efficient.

Furthermore, we would expect more investors to devote the time and staffing resources required to learn about the program and make investments if they knew the program would continue year-after-year. This may also be true for other industry players with opportunities to engage with NMTCs and/or align other community development programs, including state and local economic development agencies, banks and other sources of private leverage capital, and federal agencies also focused on strengthening both urban and rural low-income communities.

Overall, by making the NMTC permanent, Congress would provide greater certainty to the program, create efficiencies for current industry participants, and incentivize new players into the industry. A more efficient program with increased competition would further benefit the low-income communities targeted with NMTC investments.

7) *Are there any other special considerations that you would like to identify relative to this provision?*

Currently, there is bipartisan legislation in the House and the Senate to secure the future of the NMTC. Introduced by Senators Roy Blunt (R-MO) and Ben Cardin (D-MD), the New Markets Tax Credit Extension Act of 2019 (S. 750) would permanently extend and strengthen the NMTC.

8) *Can you quantify or elaborate on the full scope of the impact of the provision as currently drafted, including but not limited to the total number and defining characteristics of the beneficiaries of the provision?*

The NMTC has demonstrated success as a major generator of investment and job growth in low-income communities in the United States. In addition to the cumulative impacts noted in response to question 1, we are happy to provide highlights from a few of Enterprise's projects that would not have been possible but for the NMTC:

- **St. Luke's Phase III (Cleveland, OH).** NMTCs completed the renovation/adaptive reuse of the former St. Luke's Hospital building into a mixed-use community asset. In addition to senior housing (financed by the Low-Income Housing Tax Credit), building occupants include The Intergenerational School (TIS), a top-performing charter school, the Boys & Girls Club of Cleveland, and four other local nonprofits. Together these organization serve over 375 students per year. The project created and/or retained 70 permanent jobs and 155 construction jobs.

- **HopeWorks Social Enterprises (Everett, WA).** NMTCs funded the construction of a 67,312 square foot mixed-use building that will be completed in September 2019. The ground floor commercial space will provide workforce training facilities, incubator space for job-creating businesses, and office headquarters for HopeWorks. The four upper floors will provide 65 units of low-income rental housing including 57 units of permanent, supportive housing for homeless individuals and families (separately financed). The project created 142 construction jobs and is expected to create 40 new permanent jobs. Training opportunities for up to 60 interns per year will be available to formerly homeless individuals who are residents in various low-income housing developments.

- **Remington Row (Baltimore, MD).** NMTCs funded construction of a 250,000 square foot mixed-use building featuring a health clinic, retail, 108 apartments, and underground parking. The apartments are priced below-market, and 20 percent of the units are affordable to families earning less than 80 percent of area median income. The new development contributes to the overall revitalization of the Remington neighborhood. The health clinic provides over 100,000 patient visits annually. The project created 200 construction jobs and 165 permanent jobs.

As a proven public-private partnership that leverages private investment to grow local economies, create jobs, and transform neighborhoods, we strongly recommend that the New Markets Tax Credit be made a permanent part of the tax code.

For further information, please do not hesitate to contact Sarah Brundage, Senior Director, Public Policy, at sbrundage@enterprisecommunity.org and Chimeka Gladney, Managing Director, Structured Finance, at cgladney@enterprisecommunity.org. We appreciate your consideration of these comments and welcome any future opportunity to work with the Task Force to strengthen the NMTC by making it a permanent part of the U.S. tax code.