



**THE HUNT FOR NEW FUNDING  
SOURCES IN AFFORDABLE HOUSING:  
NEW MARKET TAX CREDITS**

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# NEW MARKET TAX CREDITS (NMTC)

- NMTC is the business equivalent of Low Income Housing Tax Credit (LIHTC)
- NMTC provides for incentives to investment and development businesses in “Low-Income Communities” (LICs).
  - Development can be in a LIC (determined through census tracts data); or
  - Businesses can be located outside the LICs but can be targeted toward the Low-Income Persons (family income no greater than 80% of the area median family income)



# SOURCES TARGETED TOWARDS DEVELOPMENT OF AFFORDABLE HOUSING

- HOME (Federal) –
  - Funding allocated to County and City entities to fund housing opportunities (homeownership or rental)
- CDBG (Federal)-
  - Community Development Block Grant, funding often used for other urban development but may be used for rehabilitation or new construction of affordable housing
- Low-Income Housing Tax Credits (Federal)
- SHIP (State)-
  - State Housing Initiatives Partnership, funds given to County and Cities to use for affordable housing opportunities
- Surtax Loans (County)
  - Source of funds set aside from document stamp tax to be used for developing housing



# NEW MARKET TAX CREDIT (NMTC) REQUIREMENTS

- Proposed NMTC project must meet these requirements:
  - **At least 50% of the total gross income** is from the active conduct of a qualified business in Low-Income Communities (LICs); and
  - **At least 40% of the use of tangible property** of the business is within LICs; and
  - At least 40% of the services performed by the business' employees are performed in LICs; and
  - **Less than 5% of the average of the aggregate unadjusted basis of the property is attributable to collectibles** (e.g. art and antiques), property not for sale in the ordinary course of business; and
  - Less than 5% of the average of the aggregate unadjusted basis of the property is attributable to non-qualified financial property (e.g. debt instruments with a term in excess of 18 months).



# DIAGNOSIS

- Low-Income Housing Tax Credit began in 1997
- New Market Tax Credit began in 2000
  - As of 2010:
    - Florida has had 919 Low Income Housing Tax Credit Projects
  - As of 2012:
    - Florida has had 79 projects funded with New Market Tax Credits
- Why such a discrepancy in utilization?
  - The requirements of the New Market Tax Credit often make it too hard to meet in conjunction with effectively providing housing, or be competitive for the LIHTC bid process.



# SOLUTION: LOBBY FOR CHANGE

- **EXCEPTIONAL PROJECT DESIGNATION:**
  - Allowing certain Low Income Housing projects to be deemed an exception to certain federal funding sources requirements.
- **New Market Tax Credit administered by U.S. Department of Treasury.**
  - Consolidate under U.S. Department of Housing and Urban Development (HUD); or
  - Segregate a percentage of New Market Tax Credits allocated yearly to be administered by U.S. HUD
- **Directly lobby U.S. Treasury during Public Comment period at:**
  - <https://www.treasury.gov/initiatives/fsoc/rulemaking/Pages/open-notices.aspx>

