



The New Markets Tax Credit Issue

Republican Sweep Changes Landscape for Community Development Tax Incentives

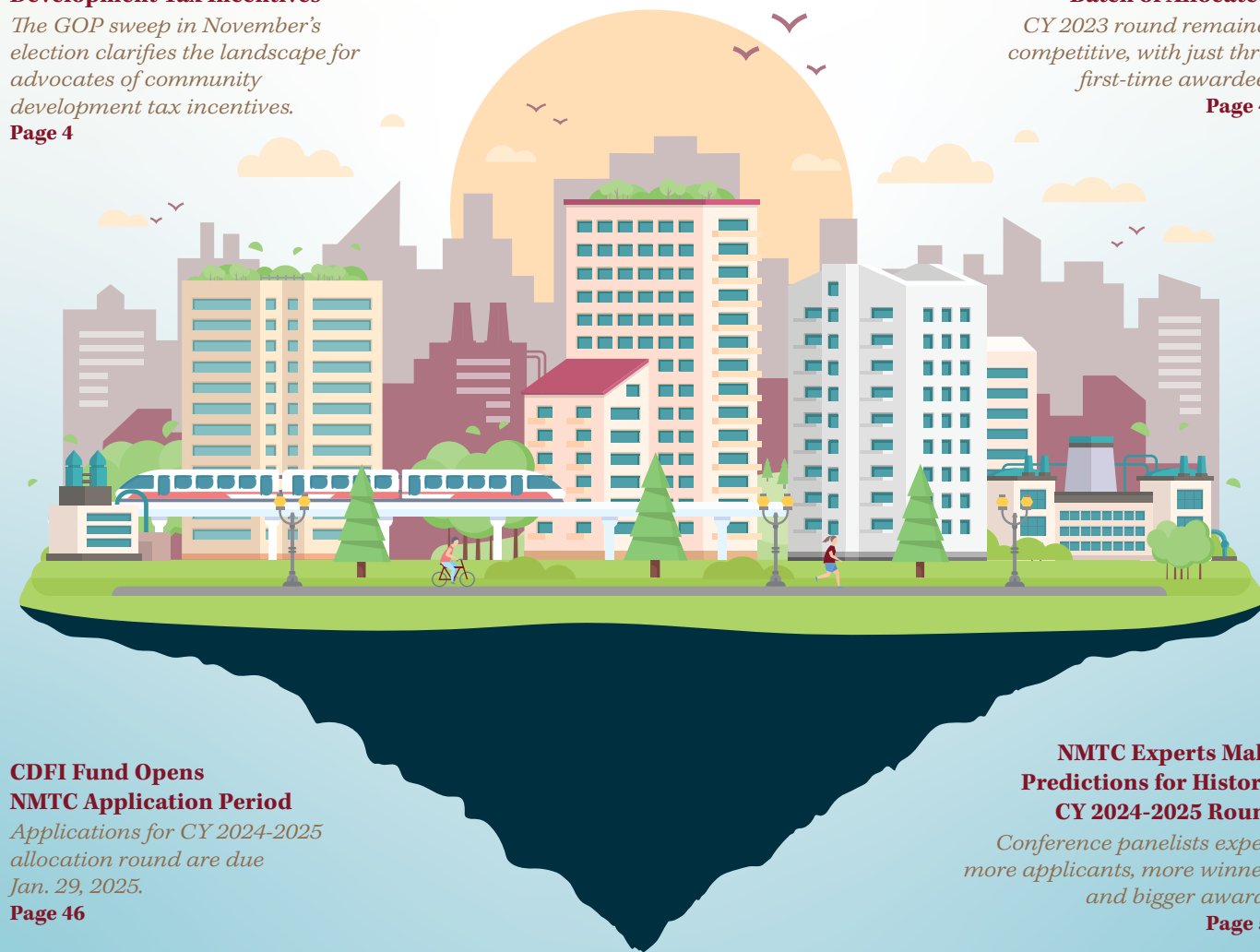
The GOP sweep in November's election clarifies the landscape for advocates of community development tax incentives.

Page 4

NMTC Application Process Remains Steady, Says Latest Batch of Allocatees

CY 2023 round remained competitive, with just three first-time awardees.

Page 48



CDFI Fund Opens NMTC Application Period

Applications for CY 2024-2025 allocation round are due Jan. 29, 2025.

Page 46

NMTC Experts Make Predictions for Historic CY 2024-2025 Round

Conference panelists expect more applicants, more winners and bigger awards.

Page 51

NMTC Experts Make Predictions for Historic CY 2024-2025 Round

BRAD STANHOPE, SENIOR EDITOR, NOVOGRADAC

With the calendar year (CY) 2024-2025 double round of new markets tax credit (NMTC) allocation coming in 2025, expect more applicants, more winners and bigger awards.

That was the consensus of panelists on the “Preparing for a Record Allocation Round” panel Oct. 23 at the Novogradac 2024 Fall New Markets Tax Credit Conference in New Orleans, who looked forward to the \$10 billion combined CY 2024 and CY 2025 NMTC round. But the optimism came with caution.

“I don’t think we’re going to see a flood of new CDEs [community development entities] who apply,” said Kermit Billups, executive vice president of Greenline Ventures, an impact-focused investment management firm based in Denver. “Those familiar with the program will apply.”

But Laurel Tinsley, managing director of Cherry Bekaert Strategic Financing Services, harkened back to the last combined round, the \$7 billion 2015-2016 round.

“Thinking back to last time, the thought was ‘this is not the round to sit out,’” said Tinsley. “We saw some natural increase because some CDEs don’t apply every year or have a regional approach, so they only apply every few years. But this round will be a little higher because people will go back.”

The 2015-2016 round differed from 2024-2025 in that it wasn’t announced as a double round until after the application deadline, so there may be a larger jump in applicants this time. Tinsley said the increase in funding will likely have several effects, including the possibility of an expanded range of scoring for successful allocatees.

“[For the past several rounds,] you’ve had to be a highly qualified applicant [scoring more than 106 on the 110-point scale] to get funding,” Tinsley said. “The scoring has been so tight at the top, maybe it will go down into the third bucket [104-105.9] in this round of funding. I think the number of applicants will be higher, the number of winners will be higher and the award amount people get will be higher. I think we’ll find more people in the room and more people doing great work will allow us to serve more communities across the nation.”



Image: Novogradac
Kermit Billups of Greenline Ventures, left, told attendees at the Novogradac 2024 New Markets Tax Credit Fall Conference that he doesn’t expect a “flood of new CDEs” for the coming double round of allocation. Courtney Tawresey, right, shareholder at Polsinelli, said that businesses that could benefit from NMTC financing should be getting ready now.

Lessons from History

Data from the 2015-2016 double round backs up Tinsley’s prediction. In that round, 50.4% of applicants won allocation, compared to 28.9% and 28.1% the two

previous rounds. The average award size was \$58 million, compared to \$46 million and \$40 million in the previous two rounds.

Panelists expressed hope that there will be more first-time awardees this time, too. The past two rounds—for calendar year 2023 and 2022—each saw just three first-time winners, the fewest in the history of the incentive.

Tinsley said that being a first-time winner doesn't mean that the CDE is a first-time applicant.

"It's a misnomer to think that a new winner just filled out their first application," she said. "Some have been trying and failing for a number of years or working to build a track-record over a five-year period to qualify. When I look at who's new in the room, they've been working at it for a number of years. I do think there will be some new awardees, but I don't think they will be first-time applicants or brand new to the program."

Panelists had suggestions for various stakeholders heading into the \$10 billion round.



Image: Novogradac

Lauren Tinsley, managing director of Cherry Bekaert Strategic Financing Services, tells attendees at the Novogradac 2024 Fall New Markets Tax Credit Conference that she expects a higher number of applicants, winners and award amounts in the upcoming calendar year 2024-2025 double round of new markets tax credit allocation.

CDEs: Be Methodical, Focus on Goals

As CDEs prepare to apply, panelists emphasized staying true to the fundamentals.

"We invest with our partners," said Tinsley. "It's important to have a five-year plan of what you're trying to do with the money. With the double round, there's a natural tendency to say, 'let's try something brand new or go farther off path.' I tell people that you have to plan and if you go too far afield, you lose points. You have to grow with methodical intentions. Regardless of there being a double round, it's important to be thoughtful about what the CDFI Fund wants to do. Gradual improvement, continuing to get better every year is the way to be successful."

Tinsley said she works with clients year-round on applications, establishing their pipeline, deploying funding and helping however else is needed.

"There's really no trick," said Tinsley. "We've won and we've lost. Just be yourself. I'm going to win or lose by sticking to my strategy. What is your mission? What does your history tell you? I'm going to stick to who I am and what I want to do. If I win, I win. If I don't, I don't."

QALICBs: Have Projects Ready to Go

There was also advice for the qualified active low-income community businesses (QALICBs), the entities that seek NMTC funding.

"I think you should have your teams ready to go," said Courtney Tawresey, shareholder at nationwide law firm Polsinelli. "Be talking with your consultants and attorneys now. A lot of money needs to get spent. I tell [QALICB] clients that they've got to have their timing right and be shovel-ready or already in construction [when financing is ready]. You have to be ready to put the deal to paper and get it done. That's going to be even more important in this round."

Tawresey said larger deals may be easier to do.

“I also think it’s an opportunity for deals to get larger,” she said. “Maybe there are some creative ways to add additional funds to deals. Maybe some capital reserve. Maybe using credits for real estate, but also furniture and fixtures. In a lot of deals now, there’s focus on one or the other.”

There’s pressure, too, for businesses to be prepared, since this is the last round unless or until there is an extension or permanence for the NMTC.

“I hope this isn’t true, but for a lot of projects, this could be the last round,” Tawresey said. “Before, if your deal wasn’t quite ready and wouldn’t make it on time, it was OK, you could go to the next round. Now, projects have the pressure that there’s not a guarantee of a next round. It’s more important to get the projects deserving of NMTCs ready.”

So be ready.

“If you can come to a CDE and say you can get it closed in 60 days, that improves your chances,” said Tawresey. “That’s better than you’re coming and still putting the money together and saying it will be 90 or 120 days.”

Investors: New Participants, Hit Various Targets

For investors, there will be twice as much tax credit volume.

“We’re excited,” said Meg Wentzel, senior vice president at Truist Community Capital. “When talking about ’26 and ’27, we need to ask ourselves if the industry is hitting its CRA targets. Depending on where those banks are in

their CRA cycle, there are also other factors to consider. Truist has client-focused investments, but we also have a secondary criteria of meeting CRA needs. Investors should evaluate based on their credit need, CRA target or buy-in.”

Wentzel admitted there may be a time crunch with the double round.

“The industry as a whole needs to be aware of the extra requirements and what that could mean since they are facing a double round,” she said.

Tinsley said she expects new investors to arrive, along with all other stakeholders.

“Historically, we’ve seen other investors come in,” said Tinsley. “In a larger round, there is room for some new investors. With \$10 billion, there’s room for some other people at the table. There could be more CDEs and there could be more investors and maybe some QALICBs come out that hadn’t heard of the program.”

Consensus: Permanency a Major Benefit

Panelists all pushed for legislation to make the NMTC permanent and see the combined round as an opportunity.

“We need to push for permanency, but at what dollar level?” Tinsley asked. “With a \$10 billion round, we can show what we can do. I view it as a requirement to have a program like this because we don’t have anything else like it. Nothing has been proposed to replace it.”

Billups said permanency, even more than a double round, will lead more new CDEs and investors to participate. ❖

© Novogradac 2024 - All Rights Reserved.

This article first appeared in the December 2024 issue of the Novogradac Journal of Tax Credits. Reproduction of this publication in whole or in part in any form without written permission from the publisher is prohibited by law.

Notice pursuant to IRS regulations: Any discussion of U.S. federal or state tax issues contained in this article is not intended to

be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties under the Internal Revenue Code; nor is any such advice intended to be used to support the promotion or marketing of a transaction. Any discussion on tax issues reflected in the article are not intended to be construed as tax advice or to create an accountant-client relationship between the reader and Novogradac & Company LLP and/or the author(s) of the article, and should not be relied upon by readers since tax results depend on the particular circumstances of each taxpayer. Readers should consult a competent tax advisor before pursuing any tax savings strategies. Any opinions or conclusions expressed by the author(s) should not be construed as opinions or conclusions of Novogradac & Company LLP.

This editorial material is for informational purposes only and should not be construed otherwise. Advice and interpretation regarding property compliance or any other material covered in this article can only be obtained from your tax advisor. For further information visit www.novoco.com.

EDITORIAL BOARD

PUBLISHER

Michael J. Novogradac, CPA

EDITORIAL DIRECTOR

Alex Ruiz

TECHNICAL EDITORS

Chris Key, CPA
Michael Kressig, CPA
Diana Letsinger, CPA

Matt Meeker, CPA
John Sciarretti, CPA
Stacey Stewart, CPA

COPY

EDITORIAL AND DIGITAL MARKETING DIRECTOR

Teresa Garcia

SENIOR COPY EDITOR

Mark O'Meara

CONTRIBUTING WRITERS

Lily Gao
Cindy Hamilton
Heath Hawkins
Rich Larsen

SENIOR EDITOR

Brad Stanhope

SENIOR WRITER

Nick DeCicco

Art Momjian
Ryan Rieger
Helen Teal

ART

CREATIVE DIRECTOR

Alexandra Louie

GRAPHIC DESIGNER

Brandon Yoder

CONTACT

CORRESPONDENCE AND EDITORIAL SUBMISSIONS

Teresa Garcia
teresa.garcia@novoco.com
925.949.4232

ADVERTISING INQUIRIES

Christianna Cohen
christianna.cohen@novoco.com
925.949.4216

ALL MATERIAL IN THIS PUBLICATION IS FOR INFORMATIONAL PURPOSES ONLY AND SHOULD NOT BE CONSTRUED AS PROFESSIONAL ADVICE OFFERED BY NOVOGRADAC OR BY ANY CONTRIBUTORS TO THIS PUBLICATION.

ADVICE AND INTERPRETATION REGARDING THE LOW-INCOME HOUSING TAX CREDIT OR ANY OTHER MATERIAL COVERED IN THIS PUBLICATION CAN ONLY BE OBTAINED FROM YOUR TAX AND/OR LEGAL ADVISOR.

ADVISORY BOARD

OPPORTUNITY ZONES

Dan Altman	SIDLEY AUSTIN LLP
Glenn A. Graff	APPEGATE & THORNE-THOMSEN
Shay Hawkins	OPPORTUNITY FUNDS ASSOCIATION
Jill Homan	JAVELIN 19 INVESTMENTS

LOW-INCOME HOUSING TAX CREDITS

Jim Campbell	SOMERSET DEVELOPMENT COMPANY LLC
Tom Dixon	LUMENT
Richard Gerwitz	CITI COMMUNITY CAPITAL
Elizabeth Bland Glynn	TRAVOIS INC.
Rochelle Lento	DYKEMA GOSSETT PLLC
John Lisella III	U.S. BANCORP IMPACT FINANCE
Derrick Lovett	MBD COMMUNITY HOUSING CORP.
Rob Wasserman	HUNTINGTON NATIONAL BANK.

PROPERTY COMPLIANCE

Jen Brewerton	DOMINIUM
Kristen Han	WNC
Michael Kotin	KAY KAY REALTY CORP.

HOUSING AND URBAN DEVELOPMENT

Victor Cirilo	NEWARK HOUSING AUTHORITY
Flynann Janisse	RAINBOW HOUSING
Ray Landry	DAVIS-PENN MORTGAGE CO.
Denise Muha	NATIONAL LEASED HOUSING ASSOCIATION
Monica Sussman	NIXON PEABODY LLP

NEW MARKETS TAX CREDITS

Aisha Benson	NONPROFIT FINANCE FUND
Maria Bustria-Glickman	U.S. BANCORP IMPACT FINANCE
Elaine DiPietro	BLOOMING VENTURES LLC
Chimeka Gladney	ENTERPRISE COMMUNITY INVESTMENT INC.
Ruth Sparrow	FUTURES UNLIMITED LAW PC
William Turner	WELLS FARGO
Ashley Wicks	BUTLER SNOW LLP

HISTORIC TAX CREDITS

Heather Buethe	NATIONAL TRUST COMMUNITY INVESTMENT CORP.
Scott DeMartino	KUTAK ROCK
Cindy Hamilton	HERITAGE CONSULTING GROUP
Irvin Henderson	HENDERSON & COMPANY
Jessica Glynn Worthington	KLEIN HORNIG LLP

RENEWABLE ENERGY TAX CREDITS

Jim Howard	DUDLEY VENTURES
Forrest Milder	NIXON PEABODY LLP

© Novogradac 2024 All rights reserved.

ISSN 2152-646X

Reproduction of this publication in whole or in part in any form without written permission from the publisher is prohibited by law.