

**NEW MARKET TAX CREDIT PROGRAM**  
**Wayne County-Detroit Community Development Entity**

- Federal tax credit program designed to attract investment capital into low-income communities for commercial development and expansion.
- Low-income community defined as any population census tract in which at least 20 percent of its population is at the poverty level or the area median income is not more than 80 percent of the metropolitan or statewide median income.
- The 2000 U.S. Census data is used to determine if a census tract qualifies as a low-income community.
- The New Market Tax Credit program provides an incentive to Investors (banks, insurance companies, corporations) in the form of a 39% tax credit for a term of 7-years, generating dollars for equity investment into a project.
- NMTC Investment capital can be in the form of a “leveraged” structure of debt and equity, or an equity investment, or to buy down the interest rate on the debt piece.
- The New Market Tax Credit investment will be 10% to 20% of the investment, with the remaining funds coming from “debt” or “equity”.
- To qualify the project must have a gap in financing or require financial incentives to succeed.

- To qualify projects must demonstrate job creation in low-income communities; neighborhood revitalization; and or new growth and development in low-income communities.
- Example: \$1,000,000 of NMTC allocation generates the following:  $\$1,000,000 \times .39 = \$390,000$  in tax credits over 7-years.
- Average cost to Investors of tax credits is approximately \$0.65. ( $\$390,000 \times \$0.65 = \$250,000$  rd.)
- Approximately \$250,000 of equity is generated for each \$1,000,000 in tax credit allocation.
- Therefore: a \$5,000,000 allocation of New Market Tax Credits generates approximately \$1,250,000 in equity dollars into a project.
- To qualify in Wayne County, the project must be located in the cities of Detroit, Highland Park or Hamtramck, Ecorse, River Rouge or Inkster. (see link to Wayne County NMTC map)
- The project must meet one of the following New Market Tax Credit tests: project costs exceeding value; insufficient equity; inadequate cash flow to debt service coverage.

- For the project to qualify for New Market Tax Credit financing, you must be able to answer “yes” to the following questions:

Will the ownership entity maintain a complete set of books and records for the eligible site?

Will the ownership entity have revenue within three years of closing on the allocation?

Will at least 50% of the total gross income of the ownership entity be derived from the active conduct of a qualified business within a low-income area?

Will 40% of the use of tangible property of the ownership entity be within the low-income community?

Will at least 40% of the services performed for the ownership entity by its employees be performed in a low-income community?

- Sources of 2008 New Market Tax Credit Allocation in Michigan:

Banc of America CDE, LLC - \$85 MM

Non Profit Finance Fund - \$50 MM

USBCDE LLC - \$80 MM

- If You Have Questions Contact:

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- Learn More About New Market Tax Credits:

Useful Contact Information:

Community Development Financial Institutions Fund  
([www.cdfifund.gov](http://www.cdfifund.gov))