

# How to Pursue NMTC Funding for Your Project

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*\$5 Billion in NMTCs Awarded on October 28th*

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[www.caplink.org](http://www.caplink.org)

- Launched in 1995, nonprofit, HRSA national cooperative partner
- Offices in CA, CO, AL and MA
- Leveraged \$1.4 billion in financing for over 246 capital projects (about 10% of current health center facility space)
  - **Direct assistance** to health centers and complementary nonprofit organizations in planning for and financing operational growth and capital needs
  - **Industry vision and leadership** in the development of strategies for organizational, facilities, operational, and financial improvements
  - **Metrics and analytical services** for measuring health center impact, evaluating financial and operating trends and promoting performance improvement

## U.S. Treasury recently announced awards of \$5 Billion in New Markets Tax Credits!

*“OK, but what does that mean for my health center?”*

*Hint: It's not the same thing as the government creating a \$5B grant pool – instead, think of it as a way to get very profitable companies to give your center approx. 18-20% of your total project costs,  
and be happy about it.*

Sound unlikely?

*“There has to be a catch!!”*

Well, the program is a bit convoluted, geographically limited, expensive and time consuming, but probably still worth doing!

*(And you may be eligible for grant assistance to help you get through the process).*

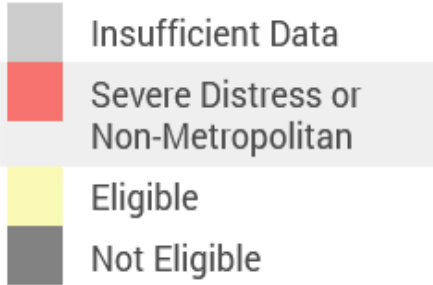
- **New Markets Tax Credits (NMTC):**
  - What are they?
  - Why would you want them?
  - How do you get them?
  
- **NMTC Preparation Program (NPP)**
  - Details and subsidy application



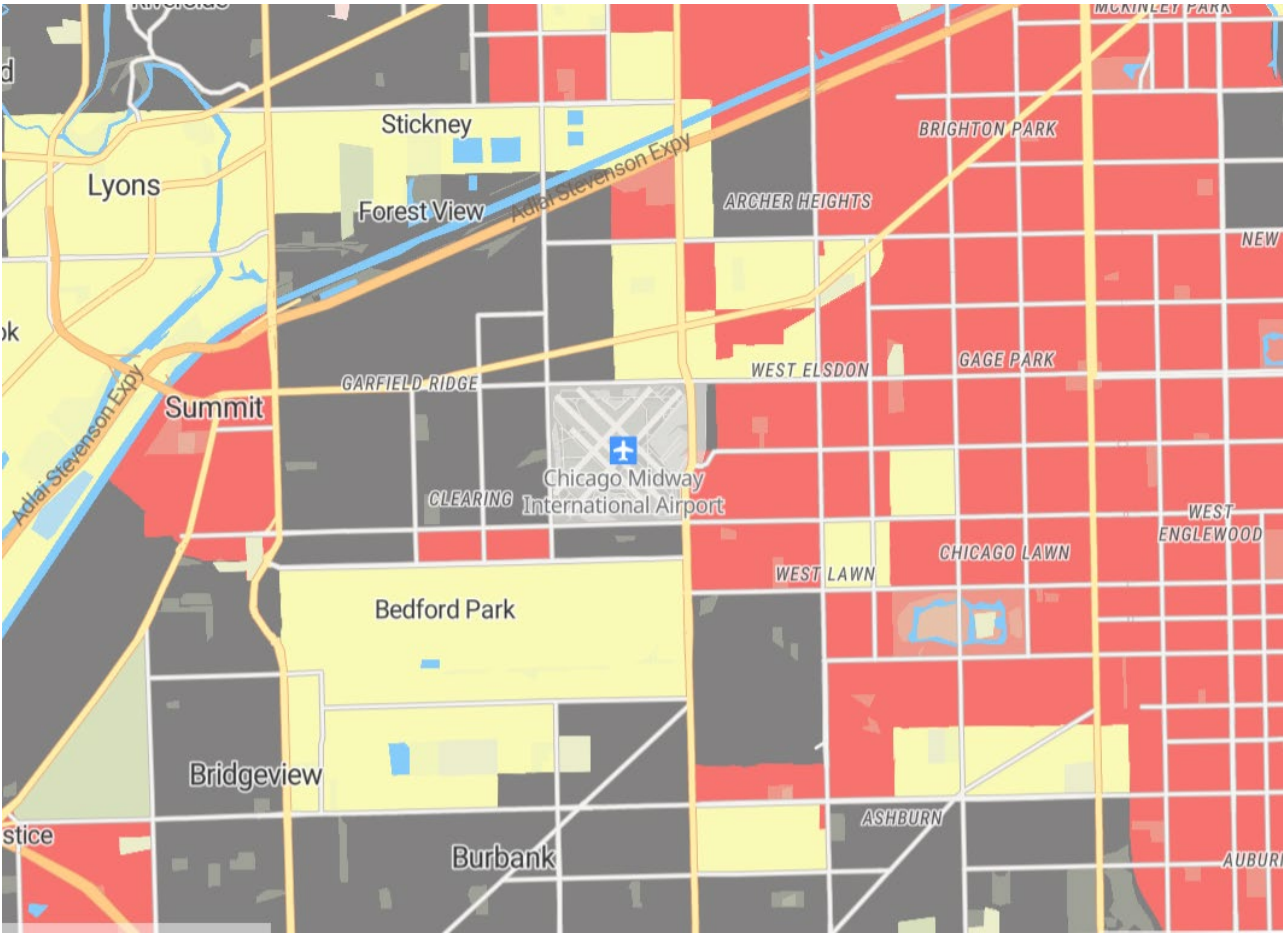
- Federal economic development program administered by the US Treasury and authorized since 2000 (**however, not permanently appropriated**). Designed to drive private investment into low income areas.
- Utilized in over \$3 billion of FQHC capital projects (**you will not be the first!**)
- Annually the US Treasury awards a limited amount of tax credit authority to winning applicants, who are all approved “Community Development Entities” (CDEs) (**you do not need to become a CDE – you just need to find one who likes your project, and CL can help with that**)
- Health center capital projects are ideal NMTC investments because they are usually located in “Highly Distressed” low-income census tracts (**to be discussed**) and provide multiple positive community benefits

- Tax credits provide net “equity” = ~18%-20% of total project cost (Back of the envelope: Total Qualifying Project Costs x 39% at ~\$.75 less associated closing costs/fees/reserves)
- An “Investment” is converted into a loan that isn’t repaid (Got that?? I know, it doesn’t make much intuitive sense, but the investor receives federal tax credits over seven years with every intention to “put” the investment back to the FQHC at the end of the tax credit period)
- Loans are structured with interest-only payments for 7 years, which conserves operating cash
- Structure allows leveraging of other financing sources: grants, loans, cash and project expenses that you have already paid up to 24 months prior to closing

# Does My Project Qualify?



Shaded by: Census Tract, 2010



<https://www.novoco.com/resource-centers/new-markets-tax-credits/data-tools/nmtc-mapping-tool>

## Non-metropolitan

Not every area you think of as rural is 'non-metro' 😞



## Targeted Populations

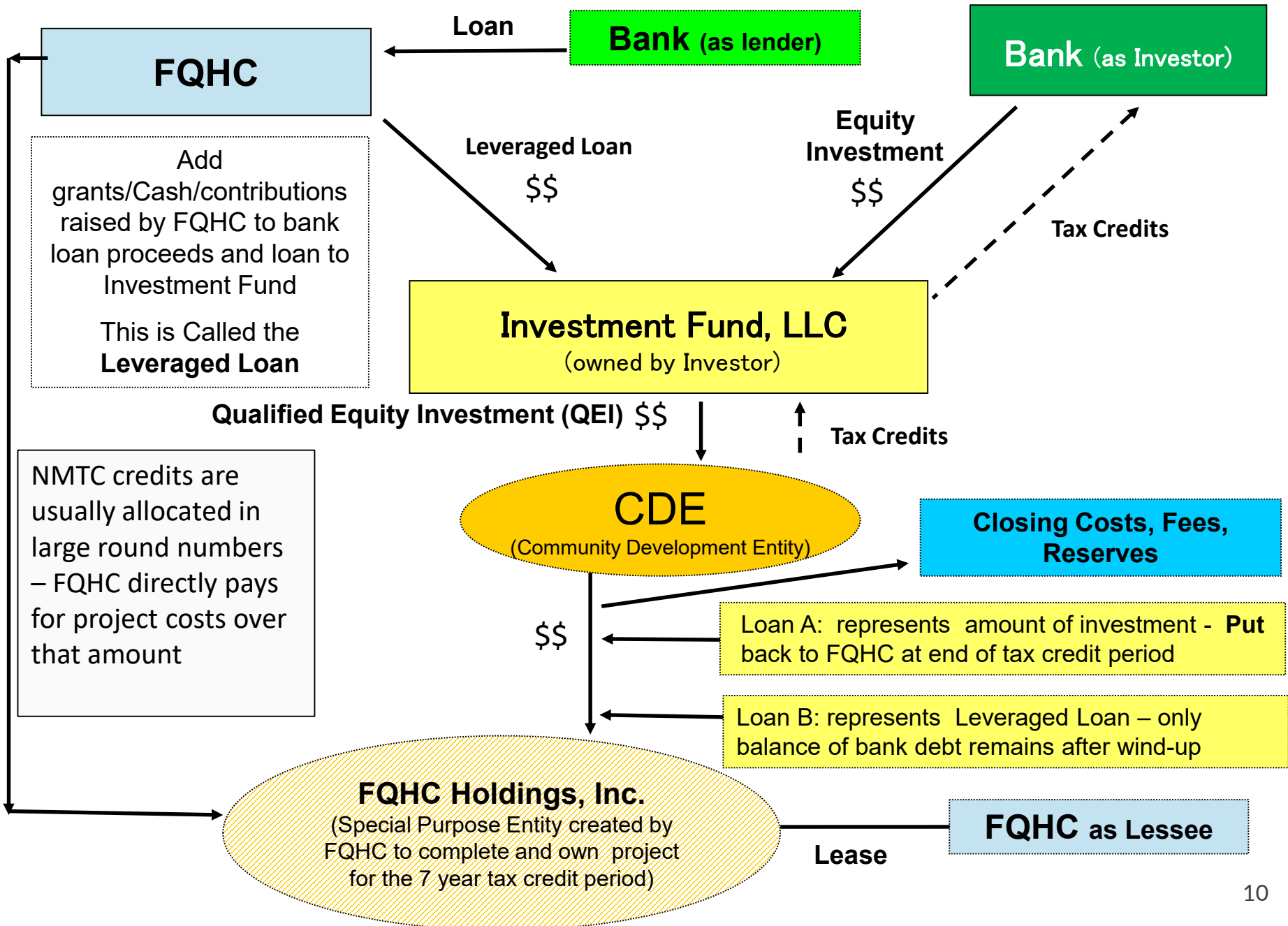
There are some exceptions to geographic eligibility but due to their complexity for qualifying it's better to discuss on a case by case basis.



## Health center capital projects are a highly desirable asset type for NMTC investors

- **Geography:** CHCs are usually located in qualified low-income census tracts which are considered to be “severely distressed” due to higher poverty and/or lower median family incomes – rural (non-metro) census tracts are also desirable
- **Mission:** CHCs provide multiple positive community benefits – positive health outcomes, economic impacts, other related services
- **Compliance:** CHCs seen as low-risk for violating NMTC regulations, e.g. non-qualified businesses or uses
- **Financial Stability:** health centers are seen as stable and growing industry that can support long-term debt

# Yes, It's Complicated



# So...Now for the Latest NMTC Award Data



Chase New Markets Corporation	Chicago	IL	National	\$55,000,000.00
Cinnaire New Markets, LLC	Lansing	MI	Multi-state	\$55,000,000.00
Civic Builders, Inc.	New York	NY	National	\$55,000,000.00
Civic Community Partners, Inc.	San Diego	CA	Local	\$55,000,000.00
Clearinghouse Community Development Financial Institution	Lake Forest	CA	Multi-state	\$60,000,000.00
Cleveland New Markets Investment Fund II, LLC	Cleveland	OH	Local	\$35,000,000.00
Colorado Enterprise Fund, Inc.	Denver	CO	Statewide (or territory-wide)	\$45,000,000.00
Colorado Growth and Revitalization Fund, LLC	Denver	CO	Statewide (or territory-wide)	\$50,000,000.00
Community Health Center Capital Fund, Inc.	Boston	MA	National	\$55,000,000.00

## Total of 107 Allocates This Round

45 National ~\$2.5B in Urban Areas  
 25 Multi-State ~\$1.2 in Minor Urban Areas  
 18 Statewide ~\$1.2B in Rural Areas  
 19 County/local

[https://www.cdfifund.gov/sites/cdfi/files/2022-10/CY\\_2021\\_NMTC\\_Program\\_Award\\_Book%20\\_FINAL.pdf](https://www.cdfifund.gov/sites/cdfi/files/2022-10/CY_2021_NMTC_Program_Award_Book%20_FINAL.pdf)

## Community Health Center Capital Fund (Capital Fund)

is a

Certified Community Development Financial Institution (CDFI),

and a

Community Development Entity (CDE)

***We can provide loans and New Markets Tax Credit (NMTC) allocation to eligible community health center capital projects nationally.***

Capital Fund is partnering with its technical assistance affiliate, Capital Link, to provide the New Markets Tax Credit (NMTC) Preparation Program (described in following slides). The program's goal is to assist health centers in preparing for and securing project financing using New Markets Tax Credits, generally the most advantageous financing source for health center capital projects.

- Finding a Community Development Entity (CDE)
  - Aligning your project timing with award announcements (“shovel ready”)
- Complex structures
  - Three tiers of financing, with multiple parties
  - No two NMTC deals look exactly alike (despite efforts to streamline)
- Takes longer to close than you (or anybody else) usually thinks

- High transaction costs (but the NMTC related costs don't come out of the CHC's pocket); many expert advisors needed
- Minimum recommended Total Project Budget \$5 Million (may not be worth the mental effort for a net benefit less than approx. \$1 Million)
  - However, some CDEs are looking at placing smaller allocations, though the net benefits may not be the same
- Compliance: reporting requirements for 7-year period (it will take some back office time – but usually only for quarterly reporting and for annual audits)
- Takes great staff coordination and patience!

- Complete the NPP application when it is released and submit it by December 15, 2022.  
[https://caplink.org/images/NMTC\\_Prep\\_Program\\_Application\\_Form\\_2022.pdf](https://caplink.org/images/NMTC_Prep_Program_Application_Form_2022.pdf)
- All applicants will be eligible for free technical assistance.
- 5-7 of the applicants will be chosen to receive grant funding to support more in-depth assistance from Capital Link.
- Selected participants will be notified of their acceptance and receive an invitation to attend a NMTC Preparation Program kick-off webinar, on January 10, 2023.
- Applicants not selected for the program will be notified of the free technical available to them after January 1, 2023.

**The following initial Capital Link assistance, which will be entirely supported by Capital Fund and free to participants, includes:**

- a group webinar in January to review and explain in greater depth the NMTC program and financing process;
- individual discussions with management about the NMTC program;
- assessment of project eligibility;
- development of a preliminary transaction structure and diagram;  
and
- development of a project timeline to identify key milestones in alignment with expected NMTC allocation cycles.



- Following the Preliminary Assistance phase, Capital Fund will select 5–7 centers for direct grant support to defray a portion of the cost of preparing for an NMTC financing.
- The chosen centers must demonstrate overall readiness to proceed with a financing process.
- Capital Link will work with each of the selected centers to develop a tailored set of project deliverables (see next slide) which will position each health center to better compete for NMTC allocation and secure financing.
- Capital Fund will also select 5-7 health centers who are early in the process of consideration of NMTC financing to receive approx. \$10K in grant assistance to help defray the cost of preliminary development activities, which may include a market assessment, financial forecast, operational plan, or similar.

Common components of an overall NMTC financing process supported by grant funding may include:

- A transaction summary, detailing the proposed project and its expected community benefits to provide to CDE's;
- A full business plan and 7-year financial projections;
- NMTC structuring, including securing leverage debt (if needed);
- Guidance and assistance throughout the closing process.
- Upon successful completion of the program, participants will receive preferential consideration for any allocation held by Capital Fund. Capital Link will also utilize its well-established network of CDE/CDFIs to seek additional allocation as necessary for each project.

**Any U.S.-based Federally Qualified Health Center (Section 330-funded grantee or Look-Alike) is eligible to apply. Successful applicants will have projects that meet the following criteria:**

- Project will be ready for NMTC financing in 2023 or 2024;
- Total project costs are greater than or equal to \$5 million;
- Site identified, with address indicating eligibility for NMTC financing (qualification as “highly distressed” and site control preferred);
- Project will have significant community benefits, such as expanded patient capacity, new services, jobs (especially for community residents), connection with other community economic development projects, etc.;
- Health center is not currently working with another NMTC consultant.

- [Written NMTC resources](#)
- [Case studies, including many FQHC NMTC financings](#)
- [Webinars, numerous on varying aspects of capital planning and financing](#)
- [Learning Collaboratives](#) – Capital Link to again offer later this calendar year a free capital development learning collaborative.
- One-on-One Assistance - a Capital Link project consultant is available to schedule an initial call and project review.

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