



What is CalPFA Community Development Corporation?

The CalPFA Community Development Corporation (CalPFA CDC) is an organization created by California Public Finance Authority to apply for and manage the firm's participation in the New Markets Tax Credit Program. CalPFA CDC will use the allocation to generate investment capital that will be used to provide flexible, low-cost financing products to qualified projects throughout its service area in California.

CalPFA CDC is a Community Development Entity (CDE), a designation provided by the Community Development Financial Institutions Fund (CDFI Fund), a department of the United States Treasury. Only CDEs can apply for an allocation of New Markets Tax Credits. CDEs must have a primary mission of serving, or providing investment capital for, low-income communities (LICs) or low-income persons. As a CDE, CalPFA CDC acts as the bridge between the capital markets and low-income communities by taking the investment capital that it receives and lending it to qualified projects.

What is the New Markets Tax Credit (NMTC) program and how does it work?

The NMTC program is a federal tax initiative designed to promote economic development in low-income & distressed communities. The program was enacted as part of the Community Renewal Tax Relief Act of 2000. It is administered by the CDFI Fund and the Internal Revenue Service. The NMTC program permits investors to receive a credit against federal income taxes for making qualified equity investments in designated CDEs.

CalPFA CDC will sell its tax credits to investors in exchange for cash. The money raised from investors will be used to provide low-cost financing to developers to build projects in qualified communities. Equity generated from the sale of NMTCs can fill the financing gap on eligible projects and can often cover approximately 20-25 percent of a project's total development costs.

The amount of NMTCs that an investor can claim is 39 percent of the total invested amount. So, for a \$100 investment, the investor will get \$39 back in tax credits. A tax credit is a dollar-for-dollar reduction in an investor's tax liability. The investor does not get all of the tax credits upfront. Rather, an investor can

receive its investment return over a seven-year period, with 5 percent in each of the first three years and 6 percent in each of the remaining four years. Therefore, the NMTC compliance period is seven years.

How much does CalPFA CDC have available to invest in projects?

CalPFA is applying for \$45 million in NMTC allocation in the 2017 Application Round, which would generate \$17.55 million (or 39 percent) in tax credits for investors. The amount of tax credit equity that can be generated for a project depends on the price that CalPFA CDC receives per dollar of tax credit and the extent to which the tax credit equity is leveraged with other public and private funding sources. The price per tax credit is based on an investor's required rate of return. If CalPFA CDC receives, on average, \$0.75 for each \$1.00 of tax credit, its \$17.55 million in tax credits will translate into approximately \$13.1 million in equity available to be invested in qualified projects.

What types of projects qualify for NMTCs from CalPFA CDC?

CalPFA CDC will invest all of its allocation in real estate development projects located in low-income communities with high distress. CalPFA CDC will prioritize those projects that generate maximum community and economic benefits (i.e. high quality jobs, sustainable building and operations, community services, sales taxes, business license taxes, property tax increment). CalPFA CDC has the flexibility to invest in a wide range of project types, including retail, office, industrial, mixed-use, community facilities and health care facilities. Ineligible activities include 100 percent residential rental property, golf courses, racetracks, gambling facilities, country clubs, massage parlors, hot tub facilities, suntan facilities, farming businesses, adult-oriented businesses and stores where the principal business is the sale of alcoholic beverages.

Where do CalPFA CDC's NMTC projects have to be located?

CalPFA CDC's NMTC allocation can be used in low income communities in California. Eligible projects must be located in a census tract characterized as economically distressed. Eligible census tracts must meet at least one of the following characteristics:

- poverty rate greater than 30 percent;
- median income less than 60 percent of area median income; or,

- unemployment rate at least 1.5 times the national average.

Alternatively, the project can be located in a census tract that meets at least two economic distress designations, including but not limited to: HOPE VI Redevelopment Area, Tax Increment Financing District, Federal Empowerment Zone, Federal Enterprise Community or Federal Brownfields Redevelopment Area. Please call CalPFA CDC for a complete list of alternative qualifying criteria. If you have any questions about whether a particular project qualifies, please contact the CalPFA CDC team listed below who can help you quickly determine whether a project is eligible for NMTCs.

Who makes investment decisions for CalPFA CDC?

CalPFA CDC is governed by a seven-member Board. The Board is composed of five California Public Finance Authority representatives and two Community Advisory Board members. CalPFA has selected this structure to provide a maximum degree of community input and transparency to all of its investments.

What role does the Community Advisory Board (CAB) serve CalPFA CDC?

CalPFA CDC maintains accountability to residents of low-income communities through its CAB. CalPFA CDC meets regularly with its CAB to ensure accountability to low income communities. Additionally, the CAB can recommend projects and programs which can benefit LICs to CalPFA CDC for implementation.

Who advises CalPFA CDC's - participation in the NMTC program?

CalPFA staff in conjunction with Atwater Community Development Corporation (Atwater) is the approved NMTC Advisor for the CalPFA CDC. Atwater provides administrative and management services and is responsible for overseeing all aspects of the CalPFA NMTC program.

Who can I contact for more information?

[Please contact CalPFA CDC](#)

2999 Oak Road, Suite 710

Walnut Creek, CA 94597

[Primary contacts are:](#)

Scott Carper

925-478-4912

scarper@calpfa.org

Mike LaPierre

925-280-4381

mlapierre@calpfa.org