

Bemidji School District #31

New Markets Tax Credit Program

March 2015

NMTC Background

- The New Markets Tax Credit Program (NMTC Program) was established by Congress in 2000 to spur new or increased investments into operating businesses and real estate projects located in low-income communities.

NMTC Background

- The NMTC Program attracts investment capital to low-income communities by permitting individual and corporate investors to receive a tax credit against their Federal income tax return in exchange for making equity investments in specialized financial institutions called Community Development Entities (CDEs).

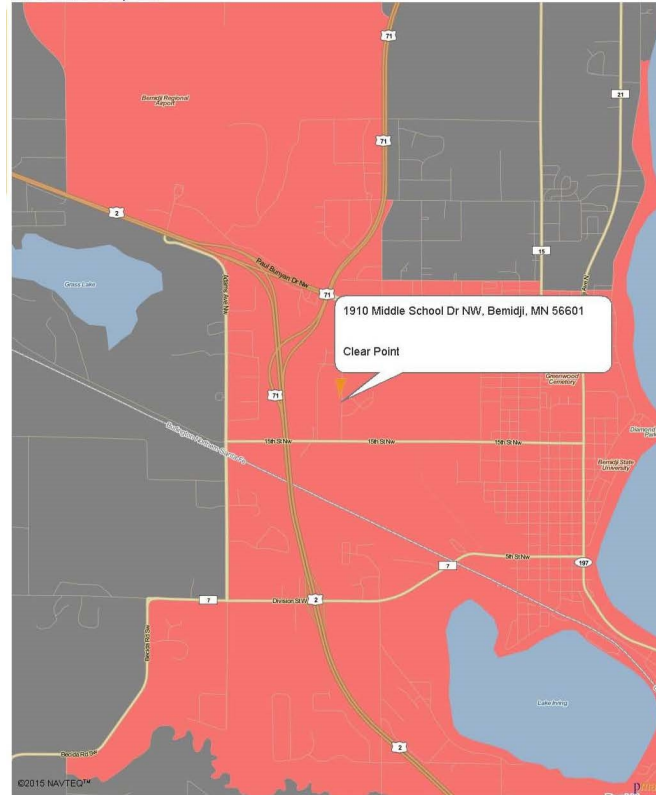
NMTC Program Eligibility

- NMTC Program Eligibility
 - Map Example

New Markets Tax Credit (NMTC) Program Eligibility and Severely Distressed Status, for CY 2013/2014.

The red areas on the map are Census tracts that the CDFI Fund has determined are Eligible and meet the Primary Criteria requirements for the CDFI Fund's New Markets Tax Credit (NMTC) Program Severely Distressed Status, for CY 2013/2014. Yellow areas indicate those Census tracts that meet the NMTC Program Eligibility but are not Severely Distressed according to Primary Criteria requirements. Secondary Criteria Severely Distressed status is not displayed on this map. Gray areas on the map are considered ineligible for NMTC Program funding. These data are mapped to the 2010 Census boundaries. For more information about the NMTC Program, please see our Data Directory.

Minnesota > Beltrami County > 56601



Reduced Referendums

- For Cities, Counties and School Districts (“Public Bodies”) this program acts like a coupon to the taxpayers. The NMTC program will reduce a Public Body’s need to borrow to finance projects.

Participants and Roles

- **NMTC – Participants and Roles**
 - Bemidji School District Board and Administration
 - Bemidji School District NMTC Counsel
 - Dougherty & Company LLC – advisor to the Bemidji School District and QALICB
 - Community Development Entities (CDE’s) for Allocation (and their Counsel)
 - Investor(s) and their tax counsel(s)
 - QALICB and its counsel – May be the Bemidji School District or EDA of another Public Body or separate 501(c)(3)

NMTC Details

- Called a “Leveraged Transaction”, investors are getting “credit” for a \$30 million investment while only investing about \$9.95 million.
- Gross investment amount is approximately 82-85% (the “bid” from the investor) of 39% (the gross tax credits from the IRS) of \$30 million.
- Fees and costs reduce the net proceeds to about \$6.3 million depending on the bid.
- A “self-leveraged transaction” means the Bemidji School District is putting in its own funds (from bond proceeds) rather than say a bank lending into the structure. This type of transaction significantly reduces the risk to the investors (hopefully garnishing a better bid).
- The Project Investment Fund is a newly created entity owned by the Investors.
- The role of “lender” within the project is given to the subsidiary of the allocatee (the “CDE”).
- The QALIB (Qualified Low Income Community Business) is the ultimate “owner” of the assets, having leased the buildings from the Bemidji School District. The Bemidji School District then leases the buildings back from the QALICB at the cost of debt service and any fees. The QALICB holds all of the funds for construction disbursement (following protocols).

NMTC Structure - \$30 Million Project

