

Florida League of Cities New Markets Tax Credit Survey

December 8, 2006

The Florida League of Cities is doing a survey to ascertain whether there is a pool of economic improvement projects in Florida cities that would be eligible for funding by New Markets Tax Credits.

This federal program is designed to allow a Community Development Entity (CDE) to make loans to businesses and developers to fund projects in low income census tracts (economically distressed areas). Projects must be for the benefit of low income communities. Some examples are: mixed use developments, child care centers, community education facilities, manufacturing, service businesses, retail real estate developments, for-sale housing, and industrial projects.

WE WOULD MAKE CAPITAL AVAILABLE TO BUSINESSES WHO WANT TO DEVELOP OR REDEVELOP IN LOW INCOME CENSUS TRACTS.

Below are examples of a *business or developer* who would be eligible to receive these loans (a Qualified Low Income Business, or QLICB).

Any business is eligible if it has:

- Over 50% of its gross income derived from conducting business in a low income community
- Over 40% of the tangible property is located in a low income community
- Over 40% of the services are performed in a low income community
- Less than 5% of property is collectibles not held primarily for sale (art, antiques, rugs, coins, stamps etc.)
- Less than 5% of property is “non-qualified financial property” (debt, stock etc.) except reasonable amounts of working capital held in cash

Excluded is any business that has:

- Residential rental property with over 80% income from residential units
- Any rental property without substantial improvements
- Farms with over \$500,000 in assets
- A development of intangible assets for sale or license
- Projects that are for golf courses; gambling facilities; country clubs; race tracks; liquor stores; massage parlors; hot tub facilities; or suntan facilities.

The federal New Markets Tax Credit (NMTC) program permits taxpayers (investors and lending institutions) to receive credits against federal income taxes, in return for making qualified loans and equity investments in commercial projects located in low income communities. Participation must be through a federally designated for-profit Community Development Entity (CDE). A CDE makes loans and capital investments in underserved areas. The intent of the NMTC program is to, among other things, induce new capital to spark redevelopment in low income areas, including the construction of “for sale” housing. For additional information on the NMTC program and how it works, please refer to http://www.novoco.com/new_markets/resources/program_summary.php.