



HAC

Housing Assistance Council

New Markets Tax Credits (NMTC) for Affordable Homeownership

May 13, 2025

About HAC

- National nonprofit
- Rural housing and community development



Photo: Jennifer Emmerling / *There is More Work to be Done*

Mission:
The Housing Assistance
Council improves housing
conditions for the rural
poor, with an emphasis on
the poorest of the poor in
the most rural places.





The **Housing Assistance Council** is a national nonprofit organization that helps build homes and communities across rural America.



Research & Information

Leading resource on rural housing data and issues



Policy and Advocacy

Informing sound strategies and policies that help improve housing and communities across rural America



Training & Technical Assistance

Developing the capacity of local nonprofit organizations to help their own communities.



HAC Loan Fund

Providing capital in the hardest to serve places



How HAC Promotes Affordable Homeownership in Rural Communities

- Self-Help Homeownership Opportunities Program (SHOP)
- Other Lending
- Training and TA
 - 502 loan packaging course



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New Markets Tax Credits (NMTCs) for Affordable Homeownership

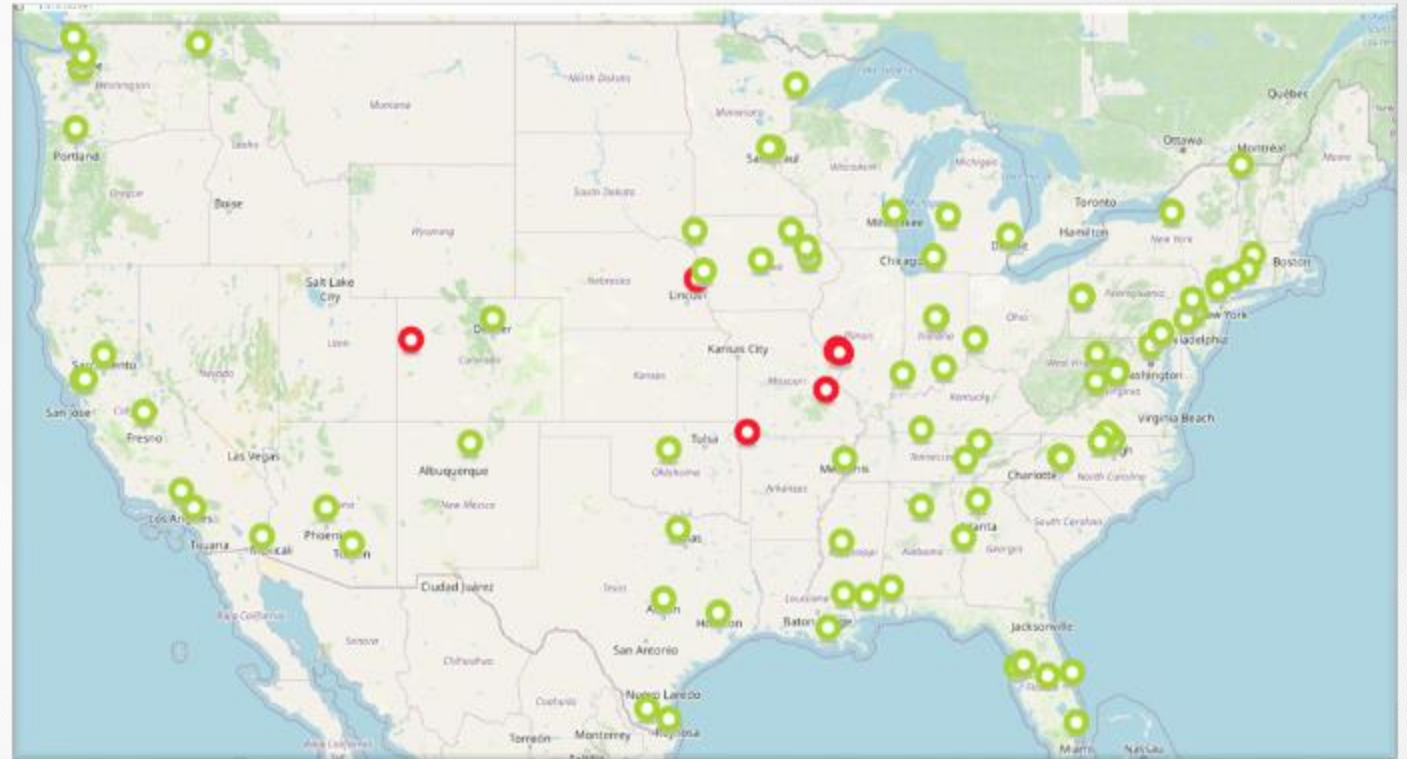
What are New Markets Tax Credits?

- Congress authorized the New Markets Tax Credit Program (NMTC Program) under the Community Renewal & Tax Relief Act of 2000 to incentivize private investment in economically distressed communities by providing investors with a federal tax credit.
- Since 2003, the **Community Development Financial Institutions Fund** (CDFI Fund) has awarded roughly \$81 billion in federal tax credits to Community Development Entities (CDEs) through a competitive application process.
- **Private investors** (individual or corporate) **receive New Markets Tax Credits** to use against their federal income tax in exchange for making equity investments in CDEs who make loans that fund nonprofit developer projects in low-income communities.

Where have NMTCs been used for homeownership?

Since 2008,
Smith NMTC has used its
**NMTC Affordable For-Sale
Housing Model:**

\$720.8M Homeownership Transactions
154 Affordable For-Sale Projects
6,024 Total Homes
33 States + District of Columbia
24 CDEs



www.smithnmtc.com/our-work/projects-map

NMTC Allocation Application & Award Cycle

Summer 2025	Fall 2025	Early 2026	Fall 2026
Nonprofit Developers (QALICBs) submit new projects for HAC's 2026 application pipeline	<p>NMTC award announcements made by CDFI Fund for the 2024/25 NMTC allocation round (CDEs receive allocation)</p> <p>CDFI Fund releases application for 2026 NMTC allocation and announces deadline</p>	HAC submits application to CDFI Fund for 2026 NMTC allocation award	NMTC award announcements made by CDFI Fund for the 2026 NMTC allocation round

**Tentative timeline based on recent/historic award and application announcement cycle.*

Key NMTC Terms

CDE - Community Development Entity

Entity with the tax credit allocation

QALICB - Qualified Active Low-Income Community Business

Entity that is the NMTC borrower

POB - Portion of the Business

Separate accounting entity, *not* legal entity

Investment Fund

Entity wholly owned by the tax credit investor

Leverage Lender

Entity that makes a loan to the Investment Fund in a New Market Tax Credit (NMTC) transaction.

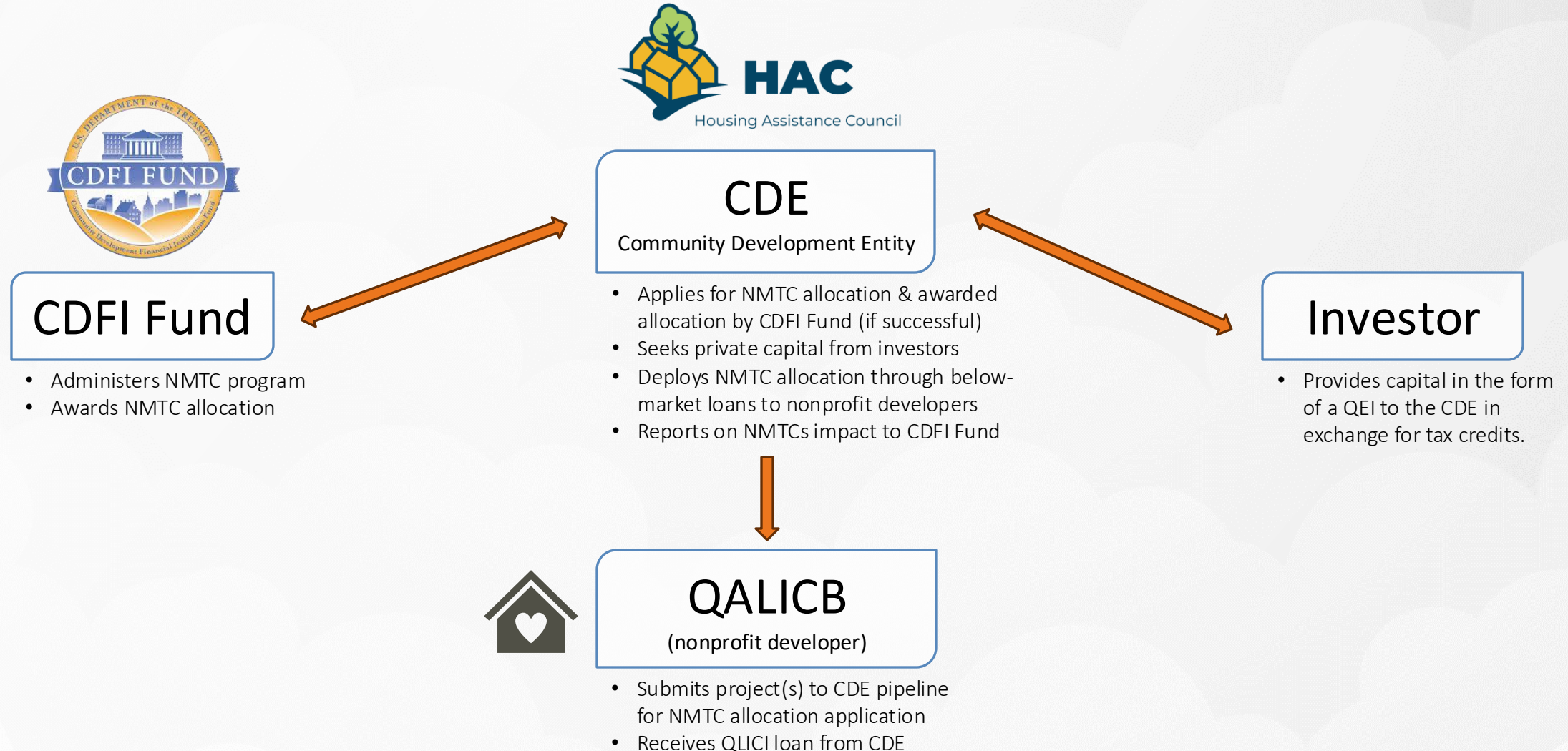
QEI - Qualified Equity Investment

Equity investment of Investment Fund in Sub-CDE that is a combination of the leverage and tax credit equity.

QLICI - Qualified Low Income Community Investment:

NMTC funded loan to project

How does the NMTC program work?



QEI - Qualified Equity Investment

The total cash investment made by the investment fund to the Community Development Entity (CDE).



What do you need to contribute?

Leverage Lender (LL) Entity

- Entity owned by the QALICB(s) in transaction, each of whom contribute their leverage funding/capital to it
- Must be at least a 5% differentiation in ownership between the QALICB and Leverage Lender
- Can be a Support Organization

Leverage Funding

- Nonprofit developer's contribution toward project cost
- About 2/3 of total allocation amount
- Sources:
 - Loan or Line of Credit
 - Grants & Donations
 - Cash on Hand
 - Previously Incurred Costs

What is a QLICI?

A QLICI is a NMTCs-funded, below market-rate loan to a nonprofit developer (QALICB).

Qualified

Low

Income

Community

Investment

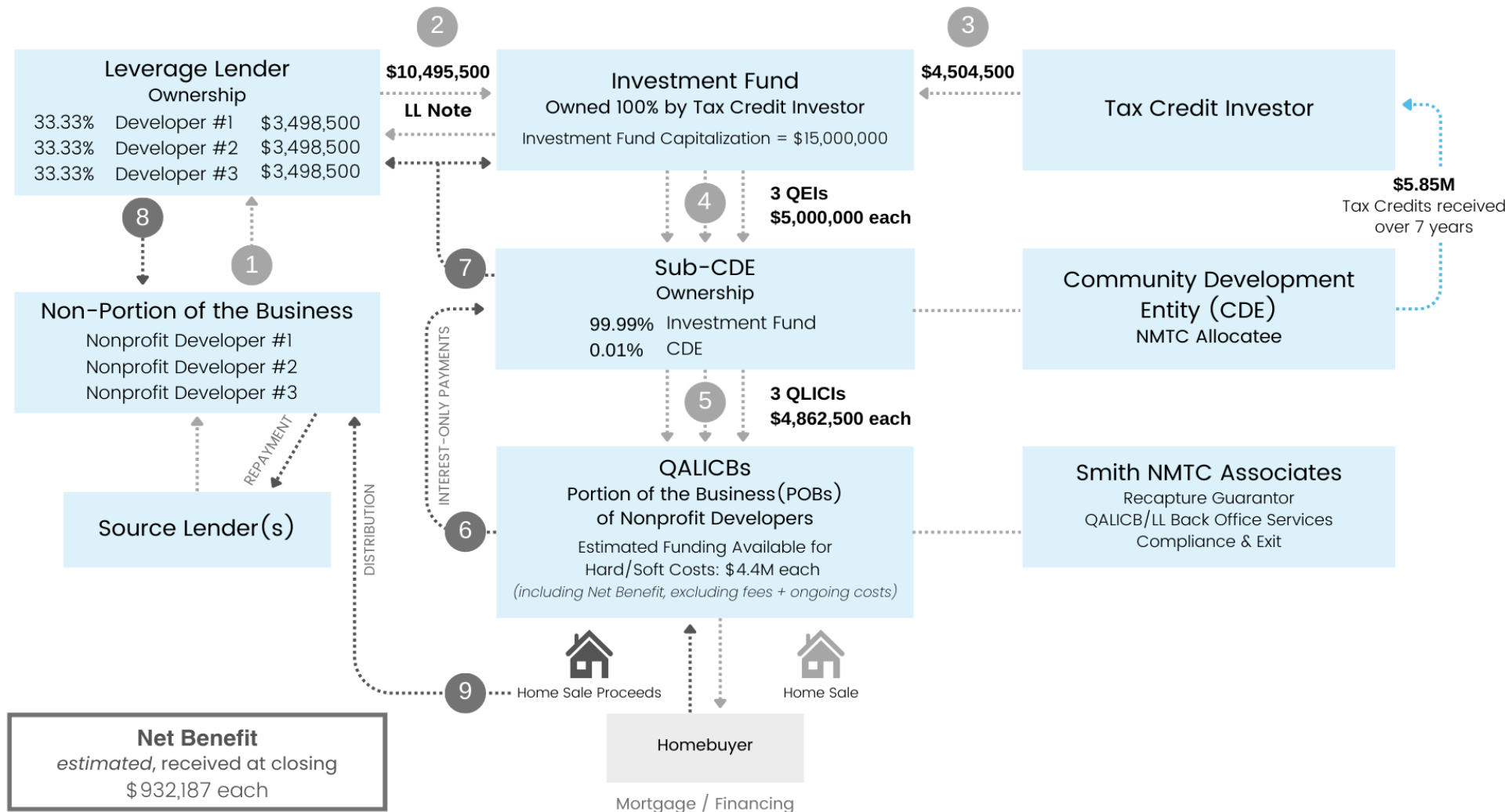
QLICI Proceeds *can be used for:*

- Pre-development costs
- Pre-incurred costs
- Acquisition
- Construction hard and soft costs
- Developer fee (up to 10%)

What is a QALICB?

Qualified
Active
Low
Income
Community
Business

- Borrower entity, receives NMTC-supported loan (and net benefit/project subsidy)
- A business that is located in or provides services to Low-Income Communities (as defined by CDFI Fund)
- Can be Special Purpose Entities (SPE) or Portions of Business (POB)
- Nonprofit or For Profit Entity
- Must maintain QALICB status through 7-year compliance period



Net Benefit

What is the Net Benefit to a nonprofit developer (QALICB)?

- The **net benefit** (project subsidy) is the portion of the tax credit equity that you receive at closing and do not have to repay.
- **NMTC pricing**, which is determined by market/investor, affects the Net Benefit amount. **Using the Smith NMTC multi-QALICB model can increase the net benefit because QALICBs share NMTC costs.**
- Estimated range of net benefit is 20%-25% of leverage amount.

$$\left[\text{Tax Credit Equity} \right] - \left[\text{Costs \& Expenses} \right] = \text{Net Benefit to QALICB}$$

(transaction, accounting, compliance)

How do NMTCs benefit an affordable homeownership project?

Net Benefit *can be used for:*

- Scaling production
- Addressing market gaps in distressed communities
- Subsidizing affordability gaps for low- to moderate-income buyers
- Hiring smaller or locally owned contractors



Atlanta Neighborhood Development Partnership, Inc. (GA)

QALICB Compliance & Reporting Requirements

Financial Requirements

- Sell at least 20% to buyers earning 80% AMI or below
(possibly higher per loan documents)
- Spend QLICB loan proceeds in 18 months
- Portion of the Business (POB): Maintain separate books & records with no employees
 - Monthly first-year spend reporting
 - Reflect QLICB loan on books for 7 years
 - Leverage loan ownership on books for 7 years
 - Semi-annual loan servicing

Reporting Requirements

- Compliance reports to CDE, including impact reporting
- Provide audits, financial statements, and tax returns for all entities
- Remain an active business:
i.e. develop 1 home per year for 7 years

What does Smith NMTC do for QALICBs?

- Works with QALICBs to assemble all due diligence required for closing.
- Facilitates entire transaction from pre-closing through closing, including serving as clearinghouse for documents and streamlining closing process to reduce closing costs.
- Guarantees entire QALICB recapture risk to investor.
- Manages QALICB compliance throughout the 7-year compliance period (including assistance with POB books and compliance reports).
- Manages the expense account containing the 7-year compliance expenses; and backstops that account if insufficient funds budgeted through no fault of QALICB.
- Directs loan servicing / interest payments.
- Facilitates the exit of the transaction at the end of the 7-year compliance period.

Project Types

Can be used with **all types of homeownership projects**, *including:*

- New construction or AC/Rehab
- Single &/or multi-family
- Condos, duplexes, townhomes, co-ops, ADUs
- Mixed-income development
- Land trust/shared equity models
- Rental property conversions to homeownership

Are NMTCs right for your project?

1. Is the **project located in a Qualified Census Tract (QCT)** or meets Targeted Populations?
2. Can you **spend the NMTC funds in 18 months**?
3. Will you **sell at least 20% of homes built affordably** to buyers earning 80% AMI or below?
4. Are the **total development costs at least \$3.5M**?
5. Can you raise the **leverage funding** you need by closing?
6. Can you **build & make best efforts to sell 1 home/year** in a QCT for 7-year compliance period?
7. **No residential rental.**

What makes a strong NMTC project?

Desirable Characteristics

- ✓ Non-metro area (rural)
- ✓ Higher distress criteria
- ✓ Number of homes
- ✓ Higher % of LIPs served
- ✓ Strong outcomes
- ✓ Underserved state

Other Considerations

- ☐ Project timeline: 24-month lookback period for reimbursable expenses
- ☐ Organization in good standing
- ☐ Track record
- ☐ “Story” of the area being developed/project
- ☐ Community outreach & alignment with specific community plans
- ☐ Proximity to jobs, services, transportation

Is your project "ready"?

*Ready for the **Application Process**:*

- Site identified or purchase plans in place
- If scattered site – area is identified and organization has successful track record
- Sufficient details are available about the project

*Ready for **Allocation Award funding**:*

- Own land, under contract, or equivalent (land unencumbered for closing)
- If scattered site – area is identified and acquisition plans are in place
- Leverage funds are raised or a clear plan to raise is in place with lenders identified and known

Next Steps

Participate in the HAC Project Pipeline for 2026 NMTC Allocation Application:

1. Submit: [HAC Project Intake Form](#)
2. Desired deadline for new project submissions:
 - Project Reviews Begin 06/05/25
 - First Round Review Deadline 06/15/25
 - Final Deadline TBD
3. Smith NMTC will reach out for additional information, if needed.

QUESTIONS & ANSWERS

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Smith NMTC Associates, LLC (Smith NMTC) works with mission-driven organizations throughout the country to develop creative financial models and structures for projects that bring affordable homeownership and community facilities and services to low-income communities and their residents.

Smith NMTC has deployed over \$865M in New Markets Tax Credits allocation, providing funding for 170+ projects, and manages compliance and provides a recapture guaranty for more than 100 nonprofit developers.

In 2008, Smith NMTC pioneered the first NMTC model to support affordable homeownership and deployed \$25 million in NMTC funding to five nonprofit developers in the Gulf Opportunity Zone (GO Zone) after Hurricane Katrina.

Since then, the company has helped deploy \$720.8M to 154 homeownership projects, in collaboration with 24 CDEs, resulting in more than 6,024 homes in low-income communities across 33 states and the District of Columbia. In addition to its work to expand affordable homeownership opportunities, Smith NMTC has also worked with 14 nonprofit organizations and 13 CDEs across four states to deploy \$154.6M in NMTC allocation to support impactful community service projects like early childhood education centers, youth camps, nonprofit organization headquarters, community facilities, and hunger relief organizations.

REFERENCE

Key NMTC Concepts

Qualified Affordable Sale

At least 20% of NMTC-funded project homes must be sold affordably to buyers earning $\leq 80\%$ AMI; to be a **qualified affordable sale**, one of the following additional conditions must also be met:

- **Debt-To-Income Ratio** requirement for home loans insured by the Federal Housing Administration (FHA) at the time the units are sold to the homebuyer
- **Purchase Price** does not exceed 95% of the median purchase price for the area as used in the HOME Investment Partnership Program and as determined by HUD and the applicable participating jurisdiction for the year the home is purchased

Targeted Populations Rule

At least 60% of gross income from annual home sales must be from sales to LIP buyers.

- *Please refer to this one-page guide for full details on project qualification and severe distress criteria.*



CDFI Fund Mapping Tool:

Click here to confirm your project location's eligibility.

Higher Distress Criteria

Meets One Condition: *

- QCT: $\leq 60\%$ AMI *or* $\geq 30\%$ poverty rate *or* 1.5x+ unemployment ratio
- Targeted Populations

- OR -

Meets Two Conditions:

- QCT: 70% AMI *or* 25% poverty rate *or* 1.25x unemployment rate
- Brownfield Site
- Area: Appalachian Regional Commission, Delta Regional Authority, Colonias
- Federal Medically Underserved
- FEMA Disaster Areas
- HFFI Designated Food Deserts

**List includes most common criteria. List is not exhaustive.*



BETTER HOUSING COALITION - Richmond, VA
Armstrong Renaissance Project

Closing: 04/25/23

QEI \$8M, QLICI \$7.76M

Total Project Costs \$12.9M

Leverage Equity \$1,499,161 (reimbursed costs) + \$4,019,238 (cash)

Net Benefit \$1,729,493 (estimated)

With its \$7.76M QLICI, BHC developed 20 homes of the 36 home Armstrong Renaissance Project, a large-scale redevelopment of a former high school in a primarily Black, highly distressed neighborhood with an AMI of 43.83%. The redevelopment plan includes rental units, a large community building and green space. These for-sale homes are the final phase. BHC plans to create a mixed-income development with a variety of price points for buyers ranging from 60% to 120% AMI. At least 20% of the homes will be sold to LIPs and several are reserved for first-time homebuyers at or below 80% AMI who will receive \$15,000 towards down payment assistance or closing costs. The subsidy is important for the low-income buyers to assist with closing costs or to lower the cost of the home and manage the roughly \$40,000 per home affordability gap.





HOMEWISE - Santa Fe, NM
El Camino Crossing Project

Phase I Closing 05/25/2017
QEI \$5M, QLICI \$4.875M

Phase II Closing 04/30/2018
QEI \$8M, QLICI \$7.8M

This funding led to the development of El Camino Crossing, a neighborhood located on the site of a vacant former mobile home park in Santa Fe, New Mexico. Phase I of the project included 20 affordable single-family homes, while Phase II included 20 affordable single-family homes and 13 condominium units. El Camino Crossing is located in the Corazon Santo neighborhood, where more than 34% of residents have incomes below the federal poverty line. The new development provides affordable housing in a high-cost city, transforms a blighted parcel into productive use, and offers an economic development boost to a historically distressed area. The homes' construction cost averaged \$226,000 with an average sale price of \$214,000.



Homes: 53 homes total (all sold), 17 to LIPs (32%)



Corporation to Develop Communities of Tampa, Inc. ([CDC of Tampa](#))

Project: Gardens at Diana Point Townhomes

Closing 03/14/2024

QEI \$6M , **QLICI** \$5.85M

Total Project Costs \$6,361,895

Leverage Equity \$255,727 (*reimbursed costs*) + \$3,895,672 (*cash*)

Net Benefit \$1,286,705 (*estimated*)

Founded in 1992, CDC of Tampa has built a proven track record of reducing disparities for people and communities throughout the Tampa region. With a \$6M NMTC allocation, CDC of Tampa plans to develop 12, 3-bedroom 2.5-baths townhomes as part of Phase II of the Gardens at Diana Point in the East Lake Orient Park Neighborhood Revitalization Strategy Area. The project is located in a highly distressed QCT, where the poverty rate is 23.10%, the AMI is 53%, and the unemployment rate is 1.17x the national average. The new homes will be built to Energy Star standards, enhancing the affordability/quality of life for homeowners. The homes will be subject to a 30-year affordability period secured by a Land Use Restriction Agreement. All homes are anticipated to be sold to buyers earning 80% AMI or below. With this project, CDC of Tampa hopes to bring stability to both the families constantly uprooted by rising rents and the nearby Hillsborough County Public School which has a 90% turnover rate and is ranked in the bottom 25% of all Florida schools.

Homes: 12 homes total, 100% to be sold to low-income buyers