



Introduction to New Market Tax Credits

HWH Group - Our Services

Accelerate your project to completion with HWH Group's innovative project services. Only HWH Group delivers additional funding solutions and a speed-to-market approach that will reduce your costs and add value to your project. Expand or relocate your business into a new market with confidence. Business owners rely on HWH Group to assist with the complicated process of locating and negotiating the economic incentives that can drive site selection, construction, and operation of their new facility.

SITE SELECTION & ECONOMIC DEVELOPMENT SERVICES

- Global Services
- Nationwide Expertise and Relationships
- Federal, State, and Local Incentives
- Economic Development Consulting
- Holistic Site Selection Strategies
- Economic and Market Studies
- Tax Credit/Exemption Optimization
- Public/Private Venture Financing



CERTIFIED DEVELOPMENT ENTITY SERVICES

- Project Searches/Pipeline Fulfillment
- Project Prequalification
- Project Coordination and QLICB Guidance through Closing

NEGOTIATED INCENTIVES INCLUDE:

- Subsidized Land/Accelerated Depreciation
- Federal New Market Tax Credits
- Cash Grants
- Low-Cost Financing
- Employee Tax Credits
- Employee Training Grants
- Wage Subsidies
- Property Tax Abatements
- Investment Tax Credits
- Sales Tax Exemptions
- Utility Rate Reductions
- Fee Waivers
- Infrastructure Grants
- Fast Track Permitting
- Inventory Tax Exemption

Education Facilities



Public/ Private Venture



Manufacturing/Industrial

NMTC Overview:

- NMTC Program Background
- CDE's and Tax Credit Investors – Their Roles in a Transaction
- What Does a Good NMTC Project Look Like?
- Example Project & Structure

New Market Tax Credits: The Basics

- Federal Tax Credit: Enacted by Congress in 2000 as a part of the Community Renewal Tax Relief Act of 2000 and administered by the CDFI Fund of U.S. Treasury
- Incentivizes new private investments in qualified communities and promotes economic development in low income communities
- Qualified communities designated by census tracts
- Net Benefit to Project = Increase in Capital to Project at Closing of 15 – 20%. Translates to a likely permanent subsidy to the project at the end of the 7 year structure.
- Tax credit investor receives 39% tax credit available over 7 years: 5% for first 3 years and 6% in the last 4 years and contributes to project with “purchase” of tax credits
- Wide range of investments qualify including:
 - Commercial and Mixed Use
 - Industrial
 - Non Profit and Community Facilities
 - Operating Businesses

New Market Tax Credits: The Basics

- Project costs eligible include equipment, site prep, land acquisition, rehabilitation, soft costs such as closing costs, tenant improvements. (working capital reserves permitted depending on circumstances)
- 7 Year Financing Structure – Can be Tailored to Accommodate Various Goal of Parities
- Variety of investment sources such as loans, bonds, equity, other federal, state and local grants, donations, private grants and other funding sources compatible structure
- Community Development Entities (CDE's) award tax credits to qualifying projects

New Market Tax Credits: The Basics

Community Development Entities (CDE) – Their Role

- Serve as a financial intermediary & administers the program
- Apply for status and certification from CDFI
- Can be for non-profit, private for profit, or governmental entities
- Accountable to low income communities served under their agreement with CDFI (can be local, multi-state or National)
- After certification as a CDE, entity may apply for NMTC allocation award under a competitive application process
- Receives equity contribution from tax credit investor and lends to the qualified project
- \$33B in allocations awards since inception of program

New Market Tax Credits: The Basics

Tax Credit Investor – Their Role

- Makes an equity contribution into the project at a discounted rate in exchange for tax credits
- Eligible to claim 39% tax credit over 7 years: 5% for first 3 years and 6% in the last 4 years
- Tax credit investor equity contributed to CDE and available to project at closing
- Remain invested in the transaction for 7 year period

New Market Tax Credits: The Basics

Not Eligible:

- Suntan facility
- Development or holding of intangibles for sale or license
- Private or commercial golf course
- Country Club
- Massage parlor
- Hot tub facility
- Racetrack or other facility used for gambling
- Store where the principal balance of which is the sale of alcoholic beverages for consumption off premises
- Trade or business where the principal activity is farming, or as of the close of the taxable year the sum aggregate basis (or if greater, the fair market value) of the assets owned and the aggregate value of the asset leased exceeds \$500,000.
- Business engaged in the rental of real property to a lessee that is engaged in prohibited businesses
- Residential rental property under Section 168(e) (2)(A) of the Internal Revenue Code to the extent eighty percent (80%) or more of the gross revenues come from "dwelling units".

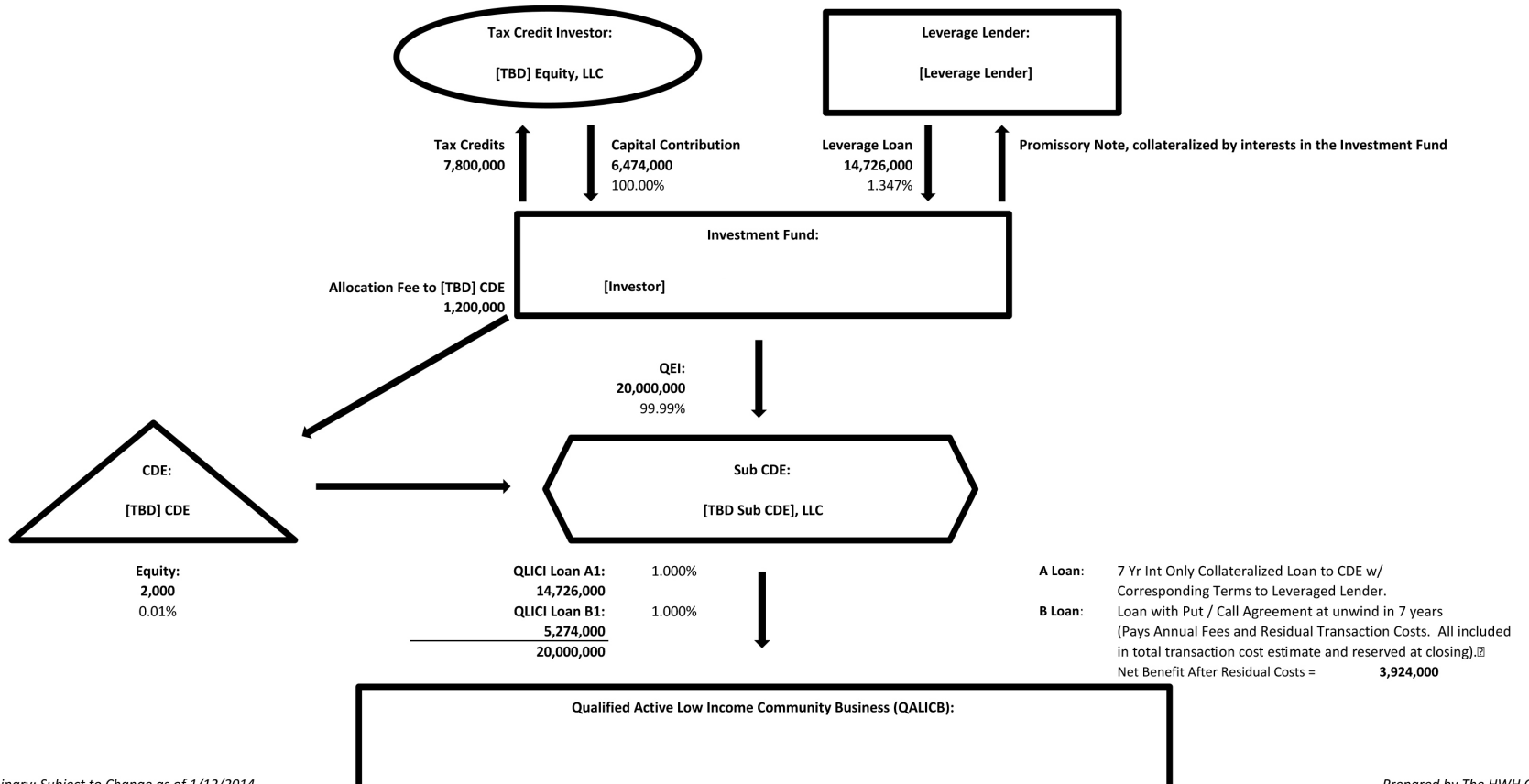
What Does a Good NMTC Project Look Like

- Must be located in a qualifying census tract
- Strong Impact on Low Income Communities Residents
- Strong community support (evidenced by community support letters)
- Jobs: Creation and Retention, Quality of Jobs , Accessibility Training
- Minimum investment of \$5M
- Strong funding potential for costs not funded by NMTC benefit
- Minority-Owned Businesses
- Goods and Services for Underserved Populations
 - For example- Education, Fresh Food, Healthcare
- Sustainable Businesses
 - Brownfield's
 - Renewable Energy
 - Green Buildings and Businesses

NMTC Structure



Qualified Equity Investment (includes NMTC Transaction Costs)	20,000,000
39% Tax Credit	7,800,000
Estimated Tax Credit Investor Equity ("Purchase" of Credits)	6,474,000
Less NMTC Transaction Costs, Paid at Closing and Over Time	2,550,000
Net NMTC Benefit, After all Transactional Costs	3,924,000
Non NMTC Financing Sources Needed for Project (QLICI A Notes)	14,726,000



New Market Tax Credit Program

Why Engage HWH Group as a NMTC Service Provider ?

Risk Considerations

Inability to locate tax credits that fit project profile or available tax credits run out

New Market Tax Credit timelines are not understood by all parties involved and are not managed relative to project timelines

Complexity of legal structure

Lack of the right investors to purchase tax credit in a timely manner or price offered too low

Funding source doesn't understand New Market Tax Credit structures

Mitigating Factors

HWH Group compiles deal package, highlighting key NMTC success factors and works to secure tax credits as early as possible

HWH Group coordinates complex closing timelines and ensures your project runs on schedule

HWH Group provides specialized expert legal guidance to assist with structuring throughout the process

HWH Group ensures investors are located timely and seeks to obtain highest transfer price

HWH Group works with lenders throughout the process and explains the structure as it relates to financing in their language

HWH Group - Our Expertise

Our team brings a solid reputation for quality, value, and integrity, as well as a broad range of expertise in site selection, design services, construction management, and supply chain management. Because we have an operator's point-of-view approach, we offer services which include financial solutions that can make the difference between your project getting the green light or being shelved.

