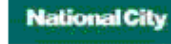


The Alliance for Economic Development
Financial Institutions Committed to Reauthorization of New Markets Tax Credits



Study Proves The New Markets Tax Credits Program Is Delivering Robust Return On Investment For American Taxpayers

Data Demonstrates NMTC Program Is Working As Intended And More Than Pays For Itself

The New Markets Tax Credits (NMTC) Program is generating catalytic economic development in distressed communities – both urban and rural – across the United States and delivering robust return on investment for American taxpayers.

This study demonstrates that the NMTC Program is working in economically distressed areas to dramatically increase jobs and generate significant tax revenue that more than pays for the government’s cost of the program.

Through the NMTC Program, financial institutions of all sizes fund investments in businesses and developments that strengthen economically distressed communities by increasing employment, generating tax revenue, and improving urban and rural environments. This truly innovative public-private partnership enables investments in community-enhancing projects that would not be possible but for this market-driven program.

In 2000, Congress enacted bipartisan legislation to create the NMTC Program. Through FY 2006, the NMTC Program had enabled over \$5.45 billion in financing of 1,131 businesses and developments that led to the retention or creation of more than 165,000 jobs (associated with both real-estate development/rehabilitation and business support) in low-income communities in 45 states as well as the District of Columbia and Puerto Rico. Recognizing the program’s proven success in spurring development in economically distressed areas, Congress authorized a special allocation of NMTC to assist in the Gulf Coast’s recovery from the hurricanes of 2005 and extended the national NMTC Program through 2008. The Administration’s budget for Fiscal Year 2009 includes support for extension of the NMTC Program. While in early 2008, when this report was prepared, Congress is poised to extend the national NMTC Program through 2009, the communities across the nation that benefit from this successful public-private partnership would be best served by enactment of long-term reauthorization.

This study was produced by The Alliance for Economic Development (Alliance), which consists of financial institutions committed to long-term reauthorization of the NMTC Program. **This study presents new conclusions drawn from a representative sample of data that has been analyzed by applying consistent metrics to gauge project-level impact using an “apples to apples” methodology.**

Economic Impact Analysis of the New Markets Tax Credits Program

The Alliance has generated a projection of the economic and employment impact of 280 New Markets Tax Credit investments. This analysis represents one of the first industry efforts to quantify economic impacts utilizing consistent assumptions and modeling across multiple Community Development Entities (CDEs).

Catalytic Economic Impact

The 280 projects analyzed in this study involved a total of \$1.4 billion in NMTC allocation which, when combined with \$2.5 billion of non-NMTC funding, resulted in a total investment of over \$3.9 billion into low income communities across the nation.

Close to \$2.5 billion from other capital sources, including market-rate loans and public sources of funds were utilized in conjunction with the NMTC investments. Construction costs for real estate projects total \$1.87 billion of the total investment amount. Additionally, some CDEs in this analysis have implemented revolving loan funds that will make more than one NMTC loan during the seven-year compliance period. Therefore, the estimates in this analysis are conservative because they do not consider loans that will be made in the future using the same allocation.

Upon stabilization of the real estate developments and once expected growth of the businesses is achieved, the businesses supported by the NMTC investments are expected to produce close to \$5.5 billion in direct economic activity with over \$4.6 billion in additional indirect or induced economic activity.

Dramatic Job Creation

The construction phase of the real estate projects will create close to 12,800 direct jobs and 13,600 indirect or induced jobs during an assumed one year construction period. On average, construction jobs will provide a salary of \$46,000. The real estate projects are expected to be completed and fully occupied in one to three years. While individual businesses included in this study are expected to continually expand over the seven year investment period. Approximately 31,500 direct jobs will be created or retained through the 280 NMTC investments. Another 24,500 indirect or induced jobs will be supported by the investments. The average annual salary of these jobs is expected to be over \$43,000.

Generation of Tax Revenue That More Than Pays for the Cost of the Program

The 280 investments are expected to generate \$238 million in additional annual federal income taxes and \$276 million in additional social security taxes from the over 31,500 direct jobs that will be created or retained. The amount of federal income taxes created or retained through the investments in this study would more than pay for the total costs of the tax credits utilized in just two and a half years. Additionally, corporate taxes resulting from the increased economic activity are expected to total close to \$96 million. State income, sales, and other local taxes will also increase by approximately \$187 million.

Based on this analysis, the \$560 million in federal tax credits that will be foregone to support the investments included in this report would generate additional tax income to the federal government far in excess of the costs incurred.

Background

This analysis represents one of the first industry efforts to quantify economic impacts utilizing consistent assumptions and modeling across multiple Community Development Entities (CDEs). The Alliance has generated a projection of the economic and employment impact of 280 New Markets Tax Credit investments. The data from the 280 NMTC-financed projects analyzed in this study was contributed by Alliance for Economic Development members Advantage Capital Partners, Capmark, Key Bank, U.S. Bank, and Wachovia as well as other institutions that participate in the NMTC Program.

Figures are based on methodology, assumptions, and conclusions provided by two economic impact studies conducted by the members of the Alliance. One was conducted by Capmark with its methodology and assumptions reviewed by economist Michael K. Evans of Evans, Carroll & Associates, Inc. A report previously conducted for Advantage Capital Partners by Novogradac & Company and was utilized for economic impact data on investments not covered in the Capmark study.

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