CENTRAL VALLEY
NMTC FUND

TJ COX
President/COO

855 M Street, Suite 1110
Fresno, CA 93721
559.264.5000

559.273.6466 Direct
559.268.6030 Fax
tjcox@cvnmtc.com

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The Honorable Dean Heller
United States Senate
324 Hart Senate Office Building
Washington, DC 20510

The Honorable Michael Bennet
United States Senate
261 Russell Senate Office Building
Washington, DC 20510

SUBJECT: New Markets Tax Credit Program Comments

Dear Senators Heller and Bennet, Co-Chairmen of the Community Development and Infrastructure Working Group:

The Central Valley NMTC Fund, LLC is a Fresno, California based Community Development Entity ("CDE") that utilizes the New Markets Tax Credit (NMTC) Program as a primary tool to spur economic and community development in disadvantaged neighborhoods throughout California's Central Valley – a region often referred to as the "Appalachia of the West."

California's Central Valley is the richest farm region in the U.S. but paradoxically among the most poverty stricken. The counties we serve (Fresno, Kings, Kern, Madera, Merced, San Joaquin, Stanislaus and Tulare) suffer poverty rates from 22% - 30%; unemployment rates rank among the ten worst in the country. Health care access is shoddy at best, with all of our counties being designated as "Medically Underserved Areas." A recent California Health Interview study found that 40% of Latino adults in the Valley are obese. Only one in five residents have a college degree. Consider the 2011 Measure of America study that assessed community well-being according to income, health care access and education. It ranked the 20th Congressional District, where our organization is headquartered, dead last out of the 435 districts in America.

With the NMTC program however, we have been able to make a real difference in the lives of our region's residents. We have used proceeds from our NMTC Allocations to invest and provide equity-equivalent, low cost financing to rural health clinics, job-training facilities, a campus to provide shelter and social services to homeless women and children, and a one-of-a-kind community recreation center - to name just a few of the worthy projects we have been delighted to help bring about.

Without the NMTC program, these projects could not be realized at all - or at the very least in any foreseeable future. Typically sponsored by non-profits, or community service groups, these organizations have very limited access to capital for a variety of reason such as weak balance sheets, lack of guarantors, low property appraisals, etc. The flexibility of the NMTC program coupled with a "patient capital" approach typically

provides the last, but essential, piece of a project's capital stack. "But-for" the NMTC program, these projects would not have come to fruition.

We have found the NMTC program to be extremely effective in directing and leverage private capital to projects in our most needy areas. Further, we believe the NMTC program to be an extremely prudent use of tax policy and tax dollars. For instance, our firm provided $7M of NMTC allocation to a state-of-art campus that provides housing and supportive services to homeless women and children. The $7M in allocation provides a 39% tax credit or $2.73M in tax credits, which is, ostensibly, a $2.73M public investment into the project. That project today (3 years after investment) serves some 70 women and children at no cost to the local county or city. It is estimated by the county that equivalent care, which the county would be obliged to provide, would be a minimum of $40k/yr., or $2.8M/year. Further, because of the dollars generated by the tax credits, the project was able to leverage those dollars in a dollar-for-dollar match with another sponsor.

The biggest drawback to the program, however, is the lack of permanency of the program and the seemingly ad-hoc nature of the program's year-to-year extension. Because of the program is not permanent and only extended a year or two at a time, organizations can sponsors cannot count on the program or utilize the program upfront in their planning and development efforts. For instance, we deal with quite a few FQHC and other healthcare provider networks. Planning and developing a new clinic to serve a target area will always take at least 2 – 3 years. Without a permanent or longer extension of the NMTC program, these organizations cannot count on the program to be there when their final capital stack needs to be in place.

We have seen first-hand the difference the NMTC program has made in our region - farmworkers that can now receive medical services, technical training provided for non-college tract youth and adults, clean energy bio-fuel projects and new community centers in impoverished neighborhoods. The program is cost effective, efficient and a critical tool to deliver real benefits to some our Nation's most underserved but deserving residents. For these reason, we urge the Committee to support the provisions of the bipartisan extension legislation in the House and Senate, the New Markets Tax Credit Extension Act of 2015 (H.R. 855/S. 591).

Questions regarding this letter and our support may be addressed to TJ Cox, President, Central Valley NMTC Fund, LLC; [redacted].

Sincerely yours,

