

MID-CITY COMMUNITY CDE, LLC

April 22, 2024

Christopher Allison
NMTC Program Manager
Community Development Financial Institutions Fund

Re: Public Comment to Proposed Changes to the CDFI Fund New Markets Tax Credit Application

Dear Mr. Allison,

I am writing on behalf of Mid-City Community CDE, LLC ("Mid-City"). Mid-City was founded in 2002 and works with under-served communities throughout the US and Puerto Rico, in both metropolitan and non-metropolitan locations, financing operating businesses and catalytic mixed-use real estate projects, including projects in states identified as having received fewer dollars of QLICs historically. To date, it has received 13 awards totaling \$459 million in NMTC allocation.

After reviewing the CDFI Fund's proposed changes to the New Markets Tax Credit Application, we are deeply concerned about a number of changes:

1. Definition of Disadvantaged Business. The change in definition would have two adverse consequences.
 - (a) QLICI and QLICI-Like Track Record of Investments in Disadvantaged Businesses would need to be re-evaluated: The change in definition of Disadvantaged Business would create a hardship on all CDE applicants by requiring applicants to go back and re-classify all of their track record activities using this new definition. For those applicants with hundreds of track record projects, or smaller CDEs with limited staff resources, this is a very large data reclassification exercise, which would require CDEs to use resources to research the background of businesses from transactions that closed 5 years ago.
 - (b) The proposed definition of Disadvantaged Business would reduce the competitiveness of applicants whose track record includes financing QALICBs that have revenues above \$100,000 and are for-profit organizations. These QALICBs are frequently organizations that create large numbers of quality jobs for Low Income People (i.e. manufacturing companies) or create large amounts of goods or services for residents of Low Income Communities (i.e. supermarket operators).

We request that the current definition of Disadvantaged Business remain unchanged, or if it is changed, we request additional clarification be provided to include for-profit businesses that create benefits for Low Income Community residents or Low Income People under the proposed definition of Disadvantaged Business.

We also request that for any change to the definition of Disadvantaged Business, the change be applied to transactions closed after January 1, 2025 to make clear that all prior track record transactions can be reported under the prior definition.

2. Federal / State / Local Zones. In the 2023 and the proposed 2024 NMTC Application, the Federal/State/Local Zones secondary criteria option was removed from Question 25(a) in the Community Outcome section.

[FEDERAL/STATE/LOCAL ZONES] Federally designated Opportunity Zones, Promise Zones, Base Realignment and Closure areas, State Enterprise zone programs, or other similar state/local programs targeted towards particularly economically distressed communities.

We request the CDFI Fund add back Federal/State Local Zones as secondary distress characteristics as these designations take into account local considerations about the distress of a low-income community. We have found that such designations are often part of locally driven neighborhood redevelopment efforts, and they reflect the local low-income community's needs and goals. Moreover, they are usually tied to neighborhood revitalization plans and come with additional city/state/county funding and/or incentives to help drive redevelopment. Finally, from a pure qualification standpoint, we have found that certain census tracts in minor metro areas and in low-income neighborhoods where very few residents live, such as formerly industrial areas with low populations, can have skewed data although the surrounding community is clearly economically distressed. In our experience, we have found that states and local communities designate these former industrial sites for redevelopment priority because projects there catalyze redevelopment of the surrounding low-income neighborhood by bringing jobs, affordable housing, and needed goods and services.

3. Change to Q25 (b). The CDFI Fund is proposing a new set of distress categories under Q25 (b) (Deep Distress, Federal Native Areas, High Migration Rural Counties, and U.S. Territories), where Applicants that commit to finance a higher percentage of their allocation in these categories will generally score more favorably.

We believe any changes to the NMTC Application should be focused on providing greater impact to a greater number of low-income people and low-income community residents. Placing a higher weight on additional categories under Q25(b) such as Deep Distress does not necessarily mean that more low-income people will benefit. Our concern is that this change could mean fewer impactful projects would be financed because CDEs will concentrate their activities on the new areas, such as Deep Distress tracts, at the expense of other markets. For example, a CDE may decline an impactful healthcare project that meets the Severe Distress and Medically Underserved Area requirements or an impactful healthy foods project in a Food Desert only because it does not meet any of the proposed Question 25(b) criteria.

Another consequence of adding new categories in Q25(b), including Deep Distress, is that the scoring of Q25 applies to all CDEs, regardless of a CDE's target market or geographic footprint. For example, CDEs that have a state or local footprint that includes few Deeply Distressed census tracts, and possibly no Federal Native and High Migration Rural Counties, will be severely disadvantaged.

We also believe that the addition of Deep Distress and Federal Native Areas further disadvantages CDEs that finance projects in Non-Metropolitan low-income communities since fewer rural census tracts meet these definitions. While consideration of High Migration Rural Counties helps, there are far too few census tracts that meet this designation. The addition of Q25(b) will hurt investment in Non-Metropolitan low-income communities overall by further limiting the already smaller pool of impactful projects in rural areas. The proposed addition of Q25(b) creates an additional barrier to investing in these rural low-income communities.

We request that the changes to Q25(b) be removed from Question 25.

Thank you for considering our comments to the Proposed Changes to the New Markets Tax Credit Application.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Lois Fried', with a long horizontal flourish extending to the right.

Lois Fried
President
Mid-City Community CDE, LLC