

THE NEW MARKETS TAX CREDIT PROGRAM: Will It Live Up to Its Potential?

The Penn Avenue neighborhood business corridor.

Small business markets in America's inner cities and distressed rural areas are essential to our local economies. According to the U.S. Small Business Administration, there are 22.9 million small firms in the United States which provide approximately 75 percent of the net new jobs added to the economy and employ more than half of all private-sector employees.¹ However, many small businesses in isolated inner-city or rural locations are cut off from mainstream capital networks.

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Information and cultural barriers may prevent investors and lenders from discovering and fully appreciating business opportunities. Therefore, a new conduit for channeling equity capital is needed—patient capital that can be used to grow a business and manage risks in less diversified economies.

Many believe the New Markets Tax Credit Program provides such a conduit. “New Markets Tax Credits will probably be the most significant single program subsidy for the community development finance industry (outside of Low Income Housing Tax Credits) over the next several years,” explains Kevin McQueen of Brody Weiser Burns, a New Markets consulting firm that helped the National Trust for Historic Preservation secure a \$127 million tax credit award.

The objective of the New Markets program is to stimulate \$15 billion in private equity investment that will bring new jobs, services, physical revitalization, and ownership opportunities to low-income communities.

Many experts believe private-capital investors have become more comfortable taking risks on community development deals because they derive not only a social return on their investment, but also a tangible financial benefit (see figure above).

Low-income communities in the Fourth Federal Reserve District stand to benefit greatly from the program. In March 2003, the Treasury Department’s CDFI (Community Development Financial Institutions) Fund announced that more than 20 percent of the total awards had been allocated to community development entities (CDEs) in the Fourth District (see page 9). Ohio alone received the second-highest number of tax credits and had the second-highest number of CDEs receiving awards. For 2003–04, \$3.5 billion in New Markets Tax Credits has been

allocated nationwide, \$1 billion more than in 2002. The CDFI Fund will announce its award decisions in March 2004.

Potential Benefits

The New Markets Tax Credit Program is not the first time a federal tax incentive has been used to encourage economic development. In 1986, for instance, the Low Income Housing Tax Credit was created to encourage private-market investment in low-income housing deals. But many experts believe the New Markets program will become another effective tool in an array of community development instruments designed to rebuild, reinvest, and reinvigorate underserved communities.

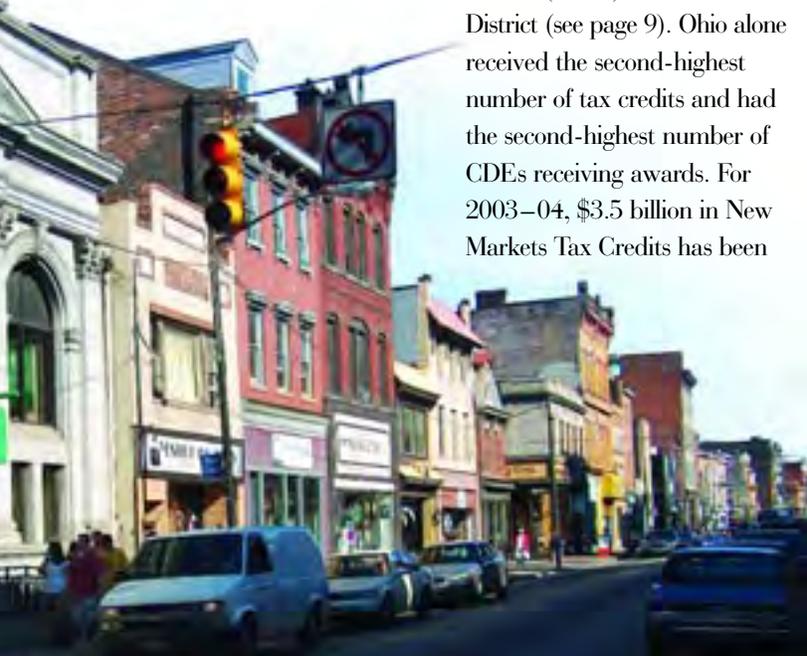
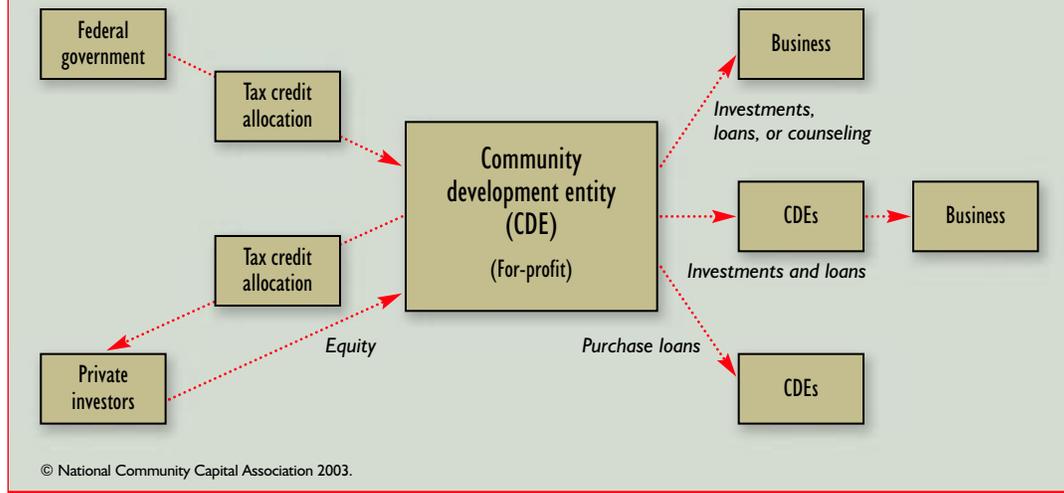
“The potential strength of the NMTC Program is that it will bring new capital from new sources into emerging domestic markets that would not otherwise have access to capital,” says Mark Pinsky, president and chief executive officer of the National Community Capital Association, the

trade association for CDFIs and a recipient of \$8 million in tax credits in 2002.

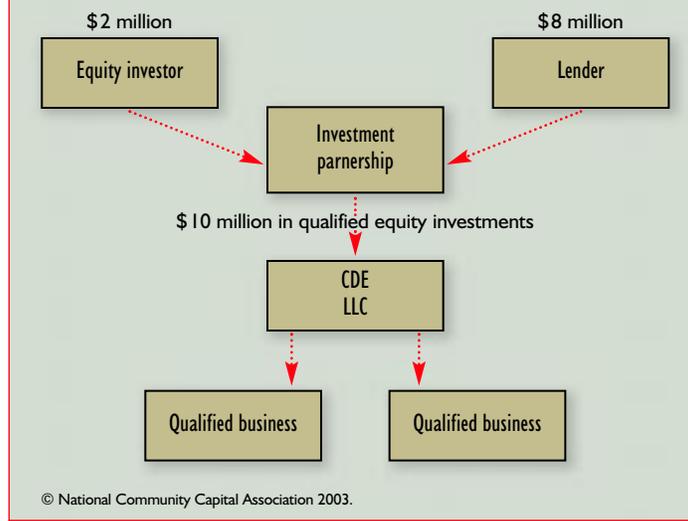
Four key aspects of the New Markets Tax Credit Program bolster the case that this program holds great potential for low-income communities.

First, the New Markets Tax Credit uses private-market forces to attract investors seeking financial as well as social returns. The program builds on the success of the Low Income Housing Tax Credit by combining the discipline and efficiency of the capital markets with community development goals. By increasing the capital base, the tax credit helps CDEs lend and invest more, attract additional outside capital, and bring even more private-sector engagement to low-income communities.

New Markets Tax Credits allow community-based lenders to offer financing at more favorable rates because the credits help to write down interest rates. All three players in the lending process—lender, investor, and borrower—get to share in the credit. “It’s a win-win-win,” says Beth Lipson,



Leveraged Model



special projects manager at National Community Capital. “New deals will be generated through new markets.”

One key generator of new business deals will be the Local Initiatives Support Corporation (LISC), which received \$65 million in tax credits to invest in low-income communities. “We expect to use much of the award to help finance commercial real estate projects, which, from our perspective, would include community facilities such as childcare centers or charter schools,” says Robert Poznanski, director of LISC’s New Markets Initiative. “Our investment authority is geared toward providing jobs and services to the distressed communities served by the CDCs that we support in 36 program sites nationwide. Our rural LISC partner CDCs work in an additional 70 rural communities,” he says.

A second strength is that the New Markets program emphasizes performance-based measures, reinforcing the need for quantitative information to demonstrate effectiveness. The program evaluates four areas:

- Business strategy (the applicant’s track record of assessing demand and making investments in low-income communities)
- Capitalization strategy (an applicant’s record of obtaining investors in the past and future ability to recruit investors)

- Management capacity (the applicant’s ability to deploy capital and manage risk)
- Economic impact of the program, such as job creation, business retention, and business creation on low-income areas.

Federal Reserve Governor Ben S. Bernanke believes this kind of data tracking is an important component of effective program delivery: “Good data—and good data analysis—are critical in the work of community organizations,” he told the Federal Reserve Bank of Cleveland’s Community Development Policy Summit in June.² “Coupled with social impact data, financial information can provide assurance to CDFIs and other socially motivated investors that their portfolios of community development investments offer both the financial and nonfinancial returns that they require,” he said.

In addition, the program has built-in flexibility, according to Tony Brown, director of the CDFI Fund, which administers

the New Markets Tax Credit Program within the U.S. Treasury Department. Although the federal government sets the parameters for the New Markets Tax Credits, the program provides flexibility in how it is used. The final results, Brown argues, are up to local players, such as the CDEs and their investors.³ LISC’s Poznanski agrees: “The program provides the flexibility to be creative in developing investment structures tailored to specific financing needs.” In addition, the CDFI Fund will enter into allocation agreements with tax credit recipients which will dictate goals for targeting communities of higher economic distress and offering flexible or below-market-rate products.

Third, the New Markets Tax Credit Program takes advantage of an existing and growing industry of community development lenders. “The [community development finance] industry provides potential New Markets Tax Credit investors with the expertise and support services needed to navigate and nourish these investments, and serves

as a partner in uncovering opportunities that are strategically aligned with the business or marketing objectives of investors,” explains McQueen of Brody Weiser Burns.

More than 500 nonprofit CDFIs—which have an impressive track record of quantifying their efforts—are poised to use tax credits to make loans and to bridge private markets with low-income communities. According to the CDFI Data Project, 512 CDFIs financed \$5.7 billion in low-income communities, created more than 43,000 housing units, funded more than 7,000 businesses, and created or retained more than 52,000 jobs.⁴

A fourth benefit of the New Markets Tax Credit Program is its ability to establish a “leveraged” model: In this arrangement, a lender and an equity investor enter into a partnership that provides the combined amount of equity investments into the CDE, leveraging more than a single investor could provide. This enables the CDE to provide even more funds to qualified businesses in low-income areas. The leveraged model offers four main benefits: It is possible to separate credit risk (debt investors) from recapture risk (equity investors); it allows nonprofit investors to participate as debt investors; it may lower cost of capital for the CDE; and it could provide equity for the nonprofit CDFI as a controlling partner (see figure above).

Potential Downsides

Despite its bold promises, the New Markets program has several possible drawbacks. First, New Markets Tax Credits were appropriated at a relatively small level of funding, compared to the Low Income Housing Tax Credits. Under the New Markets program, investors will not be able to derive all of their economic return from tax credits and tax losses. Instead, they will have to obtain some cash return on their investment in addition to the tax credits. As a result, investors are more vulnerable to the economic risks of their investment.

Furthermore, unlike Low Income Housing Tax Credits, New Markets Tax Credits will be insufficient to drive investments.⁵ The New Markets credit is claimed over seven years, with a net present value of 30 percent. In contrast, the Low Income Housing credit's present value is generally 70 percent—91 percent in hard-to-serve areas—with no basis reduction, although most other federal subsidies reduce it. However, even modest subsidies make a difference for economic development activities with limited financing gaps, and the New Markets Tax Credits can be freely combined with other (non-tax) federal subsidies.

A second possible shortcoming of the program relates to recapture, which has the potential to scare off investors, claims Pinsky. According to the program guidelines, if the CDE does not use the tax credits in the way it had intended,

it could trigger “recapture provisions”: The Treasury Department may recapture all tax credits plus nondeductible interest if all of the proceeds received for the credit are not used to make qualified low-income community investments during the seven-year period. In addition, recapture may be triggered if the CDE that sold the investment ceases to qualify as a CDE or if the CDE redeems the investment.

A third disadvantage comes from the involvement of for-profit financial institutions, which some argue will dilute the influence of the nonprofit community development finance field. “First-round recipients included institutions such as Goldman Sachs, Wachovia, Key Bank, and GMAC. Given these first-round successes, many more banks, as well as public-sector institutions, are likely to apply directly for NMTC allocations in the future, thus potentially decreasing reliance on the community development finance industry,” says McQueen.

In a paper delivered at a Federal Reserve conference earlier this year, community development scholars Julia Sass Rubin and Gregory M. Stankiewicz echo this sentiment: “[T]he downside of not restricting the program to organizations with a community development mission... is the greater likelihood that the tax credits will be used to subsidize activities that have a limited community development impact and that would have occurred even without the extra subsidy.

In other words, the tax credits would ‘supplant’ rather than ‘supplement’ the cost of many investments.”⁶ This could mean that only the most market-rate deals would be financed and CDEs would be left with too little capital to undertake the high-risk investments required in underserved urban and rural communities.

Finally, the New Markets Tax Credit Program emphasizes location rather than the mobility of employment markets. Unlike housing, jobs and businesses are more itinerant. Any successful and sustainable business or economic development strategy is organized around a labor market, which is not based on census tracts. Indeed, business development strategies organized around geography, rather than labor markets, “tend to die young,” claims Pinsky. Some experts believe that making loans to businesses is not about place—it is about employing low-income individuals regardless of where they live. Many businesses employ low-income individuals but are located outside a low-income census tract. These businesses would not be eligible for New Markets Tax Credits.

It is still too early to tell whether the program’s weaknesses will overwhelm its strengths. The initial New Markets Tax Credit deals for small businesses in low-income neighborhoods are just starting to unfold. But the availability



of another tool for community development that uses private-market capital ensures that organizations will continue to seek creative solutions to the problems of distressed communities.

NOTES

1. See the U.S. Small Business Administration, www.sba.gov/aboutsba/sbastats.html.
2. Federal Reserve Governor Ben S. Bernanke, “Soft Hearts, Hard Data: The Use of Quantitative Analysis in Community Development,” address at the Federal Reserve Bank of Cleveland, 2003 Community Development Policy Summit, June 11, 2003, Cleveland, Ohio, www.federalreserve.gov/boarddocs/speeches/2003/200306113/default.htm.
3. Tony Brown, remarks at the Federal Reserve Bank of Cleveland’s 2003 Community Development Policy Summit, June 11, 2003, Cleveland, Ohio.
4. National Community Capital Association, www.communitycapital.org/community_development/finance/statistics.html.
5. Benson F. Roberts, “How New Markets Tax Credits Will Work,” Local Initiatives Support Corporation, February 15, 2002, www.liscnet.org/resources/assets/asset_upload_file527_573.pdf, pp. 4–5.
6. Julia Sass Rubin (Rutgers University) and Gregory M. Stankiewicz (Princeton University), “Evaluating the Impact of Federal Community Economic Development Policies on Targeted Populations: The Case of the New Markets Initiatives of 2000,” paper presented at the Federal Reserve System research conference, “Seeds of Growth,” March 2003, Washington, DC, www.federalreserve.gov/communityaffairs/national_CA_Conf_SusCommDev/pdf/rubinjulia.pdf, p. 33.

New Market Tax Credit Investments: An Examiner's Perspective

By Connie Smith, Examiner Specialist, Federal Reserve Bank of Cleveland

According to the Community Reinvestment Act, a *qualified investment* is “a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.” A *lawful investment* is one that is permitted under state and federal laws and regulations; an investment that otherwise meets the definition of a qualified investment cannot be counted for CRA purposes if it is not lawful. Additionally, institutions may be required to obtain the permission of its primary regulator before investing in a particular activity.

Under the act's definition, community development purposes include activities that revitalize and stabilize low- and moderate-income geographies, or geographies that have been targeted for revitalization by federal, state, local, or tribal governments. New Market Tax Credit funds must be invested in low- and moderate-income census tracts or in tracts with poverty rates over 20 percent. However, poverty rates take into consideration the number of individuals in a family, whereas median family income does not. While low- or moderate-income tracts are more likely to have poverty rates over 20 percent, it is possible to have high poverty in a middle-income census tract. For that reason, New Markets funds may be invested in areas with high poverty rates that are not necessarily low- or moderate-income communities.

Another purpose of the New Markets program is job creation in low-income communities. Creating, retaining, or improving jobs for low- or moderate-income individuals is considered a community development activity because it can help to stabilize the community. However, not all activities in low- or moderate-income areas have a stabilizing effect—for example, a project that provides construction jobs for low- and moderate-income individuals and has only an indirect impact would not automatically qualify.

New Markets proceeds also may be used to make loans to or equity investments in businesses; if the businesses meet CRA size eligibility requirements, the investment may qualify as an activity that promotes economic development by financing businesses or farms. Funds that meet the community development definition also may be invested in financial counseling and other social services targeted to low- and moderate-income individuals.

In deciding whether to invest in any equity investment, institutions must determine whether the investment is safe and sound, lawful, and meets the institution's overall strategic objectives for assets and liabilities. To determine whether an investment meets the CRA's qualified investment definition, institutions must confirm the investment's primary purpose is community development. Equity investments in New Markets Tax Credit projects may meet this test, but institutions should conduct research and due diligence to ensure the investment addresses all of the required criteria.

Further guidance on this definition can be found in “Community Reinvestment Act: Interagency Questions and Answers Regarding Community Reinvestments,” Federal Financial Institutions Examination Council, Federal Register, July 12, 2001, available at www.ffiec.gov/cra/pdf/qa01.pdf.

4th district proof

New Markets Tax Credit Program

On March 14, 2003, the CDFI Fund announced that 66 community development entities (CDEs) would be allocated New Markets Tax Credits in the 2002 round of the program. Of the 66 grantees, 15 CDEs headquartered in the Fourth Federal Reserve District received tax credit allocations totaling more than \$340 million—22 percent of the awardees and 13.6 percent of the total amount awarded.

Ohio alone received the second-highest number of tax credits awarded and had the second-highest number of CDEs to receive awards.

The proposed Gateway Plaza at Ohio State University, a project that may become a reality through the use of New Market Tax Credits by Campus Partners for Community Urban Development in Columbus.



Expected to Have a Big Impact on the Fourth District

In 2000, Congress passed the Community Renewal Tax Relief Act, creating a New Markets Tax Credit Program to encourage private investments in low-income communities.¹ The program is based on a competitive application process by which CDEs certified by the CDFI Fund compete for \$2.5 billion in federal tax credit allocations.

Demand for the tax credits was heavy in the first round: According to the CDFI Fund, 347 CDEs applied for allocations totaling nearly \$26 billion; due to the intensely competitive application process, only 66 received allocations. In the Fourth District—which includes eastern Kentucky, Ohio, and western Pennsylvania, and the northern panhandle of West Virginia—CDEs captured a sizable portion of the awards, which ranged from \$500,000 to \$150 million (see page 9).²

Several national organizations that received substantial allocations are also positioned to provide capital to small businesses in the Fourth District. These organizations include the National New Markets Tax Credit

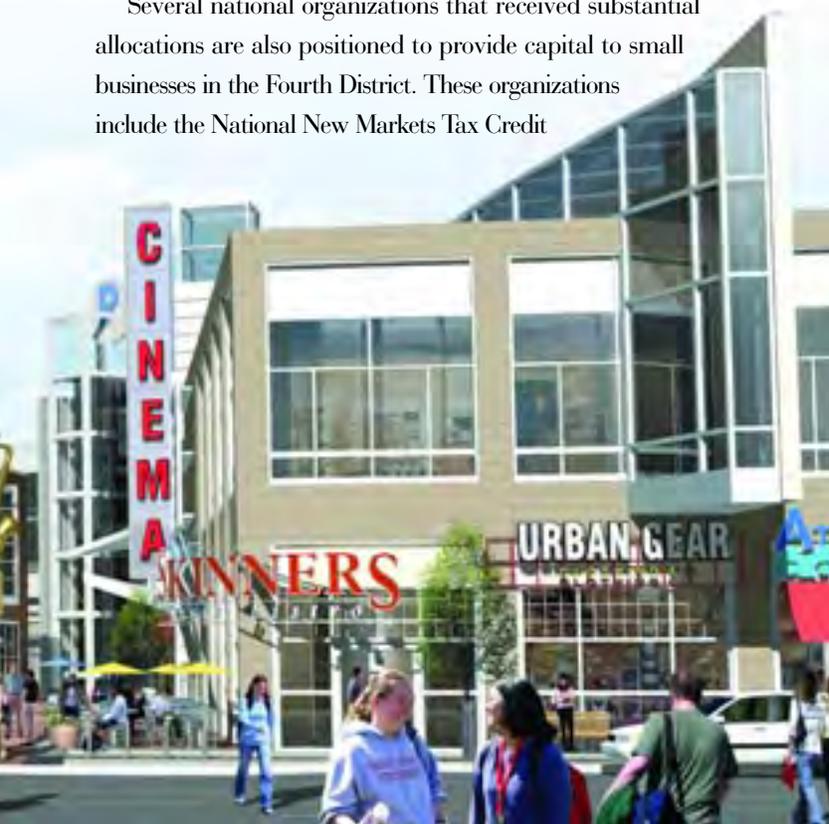
New Markets Tax Credit Program: The Basics

According to the CDFI Fund, a division of the U.S. Treasury Department, the \$15 billion New Markets Tax Credit Program has the potential to stimulate economic and community development and job creation in the nation's low-income communities by attracting capital from the private sector.

The program provides tax credits to investors who make qualified equity investments in privately managed investment vehicles called community development entities. CDEs are required to invest the proceeds in low-income communities. Low-income communities are defined as those census tracts with poverty rates over 20 percent or median family incomes that are less than or equal to 80 percent of the area median family income.

Investors claim a credit that totals 39 percent of the investment over a seven-year period. In each of the first three years, the investor receives a credit equal to 5 percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is 6 percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.

For more information on the New Markets Tax Credit Program, please visit the CDFI Fund's Web site at www.cdfifund.gov/programs/nmtc/.



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Fund, a subsidiary of the Community Reinvestment Fund of Minneapolis (\$162.5 million award), which operates in Ohio and Pennsylvania; the National Trust Community Investment Corporation, a subsidiary of the National Trust for Historic Preservation of Washington, D.C. (\$127 million award), which operates the Main Street Program throughout Kentucky, Ohio, and Pennsylvania; ESIC New Markets Partners Limited Partnership, a subsidiary of Enterprise Social Investment Corporation of Columbia, Maryland (\$90 million award), which operates in Ohio; Local Initiatives Support Corporation of New York City (\$65 million award) for programs in Ohio and Pennsylvania; HEDC New Markets, Inc., a subsidiary of the National Development Council of New York City (\$30 million award) to operate in Pennsylvania; and National Community Capital of Philadelphia (\$8 million) to operate in Pennsylvania.

How Will the Allocations Be Used in the Fourth District?³

The following examples showcase how non-profit CDEs are using their tax credit allocations to revitalize low-income communities.

The Association for Theater-Based Community Development, a subsidiary of the Columbus Association for the Performing Arts (CAPA), was awarded \$6 million to provide loans to nonprofit organizations for the purchase and rehabilitation of theaters in low-income communities in Columbus, Chicago, and New Haven, Connecticut. “Theaters are a necessary component to community revitalization,” explains Larry Fisher, a CAPA board member. “The New Market Tax Credit allocation will allow us to attract funds to

develop theaters that will serve as catalysts for the revitalization of low-income communities,” he says.

The Columbus-based Ohio Community Development Finance Fund will use its \$15 million award to provide senior and subordinated debt to qualifying businesses and nonprofit organizations throughout Ohio. “We pursue investments that are both equity and debt to add value to existing deals with other financial institutions,” explains James Klein, the fund’s executive director. “We are looking forward to the New Markets Tax Credit allocation. It’s something that has great potential for Ohio.”

Campus Partners for Community Urban Redevelopment, another Columbus-based CDE, will use its \$35 million award to make a debt investment to support the development of a large, mixed-use facility in an economically distressed neighborhood in partnership with The Ohio State University. “We are trying to lead the revitalization efforts around OSU,” says Doug Aschenbach, vice president of real estate and treasurer of Campus Partners. “We expect to attract 35 new tenants in four new buildings in develop 500,000 square feet over six blocks,” he says.

Community Ventures Corporation (CVC), headquartered in Lexington, Kentucky, will use \$12 million in New Markets Tax Credits to attract investors to provide senior debt for commercial real estate development, community facilities, and small- and medium-sized businesses. “When I first learned that CVC was going to receive an allocation, I was extremely pleased,” exclaims Kevin Smith, president of Community Ventures Corporation. “Given the strong competition for the credits, twelve million dollars will allow CVC and its investors to have a substantial impact on lower income communities in Kentucky,” he says.

In Cleveland, Cleveland Tomorrow established the Cleveland New Markets Investment Fund LLC, which was awarded \$15 million in tax credit allocations to provide below-market-rate subordinate loans and equity investments for development projects in Cuyahoga County’s low-income communities. Formed in 1982, Cleveland Tomorrow is a group of more than 30 chief



The renovated Ohio Theater in Columbus.

New Markets Tax Credit Awardees in the Fourth District, 2002

Ohio

ASB Community Development Corp, Portsmouth	\$ 2,000,000
Campus Partners for Community Urban Redevelopment, Columbus	\$ 35,000,000
Central Ohio Loan Services, Inc., Waverly	\$ 6,000,000
Cleveland New Markets Investment Fund LLC (a subsidiary of Cleveland Tomorrow), Cleveland	\$ 15,000,000
Community Development New Markets I LLC, Cleveland	\$ 50,000,000
North Coast Community Development Corporation, Lorain	\$ 9,000,000
Ohio Community Development Finance Fund, Columbus	\$ 15,000,000
Paramount Community Development Fund, LLC, Granville	\$ 75,000,000
Association for Theater-Based Community Development, Columbus	\$ 6,000,000

SOURCE: CDFI Fund, www.cdfifund.gov/programs/nmtc/.

Kentucky

Citizens Business Development Company LLC, Jackson	\$ 3,000,000
CNC Development Foundation, Inc., Paintsville	\$ 2,000,000
Community Trust Community Development Corporation, Pikeville	\$ 7,000,000
Community Ventures Corporation, Inc., Lexington	\$ 12,000,000

Pennsylvania

Northside Community Development Fund, Pittsburgh	\$ 500,000
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West Virginia

West Virginia Community Development Loan Fund (a subsidiary of First State Bank, which covers all of West Virginia), Barboursville	\$ 4,000,000
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executive officers from the largest corporations in northeast Ohio who help coordinate the private sector's response to regional issues.

The Cleveland New Markets fund will use the tax credits to attract investors to focus on three areas: (1) lending to large-scale neighborhood developments, such as shopping centers; (2) lending to business incubators that will enhance Cleveland's job-creation strategy; and (3) assisting the further development of Euclid Avenue, a distressed retail corridor in Cleveland.

Stephen Strnisha, deputy director of Cleveland Tomorrow and vice president of the Cleveland New Markets Investment Fund, explains the tax credit allocation will "augment our good track record of being a key funder for catalytic projects in the city of Cleveland.... New Markets Tax Credits allow us to capitalize a new fund to show that a viable urban market still exists in Cleveland."

The largest New Markets Tax Credit award in the Fourth District—\$150 million—went to **Community Development New Markets I LLC**, a subsidiary of Key Community Development Corporation. Key CDC, based in Cleveland, will use its allocation to support four activities: (1) a small business loan fund; (2) a business mezzanine loan fund; (3) loans and equity investments for commercial real estate projects; and (4) a brownfield redevelopment revolving loan fund.

The allocation will allow Key CDC to provide more capital to small businesses at lower borrowing costs and to make business loans in tougher credit situations. Key has a nationwide service area, but it expects to focus on seven states, including Ohio.

In contrast, the smallest award in the 2002 round (\$500,000) went to the Pittsburgh-based **Northside Community Development Fund**, which will increase the number of loans it makes to small businesses in distressed neighborhoods on Pittsburgh's north side. "The leadership of the **Northside Community Development Fund** was thrilled to learn that the organization was among the 66 awardees," says Linda LeFever, Northside CDF's executive director.

The Northside CDF will use the tax credit program in conjunction with other local, state, and federal sources to leverage approximately \$3.5 million for commercial lending over seven years. According to LeFever, these resources will be used to finance 96 new and emerging companies, to create 480 new jobs, and to provide employment for 185 low-income residents.

Based on the scale, scope, and capacity of New Markets Tax Credit award recipients in the Fourth District, low-income communities are poised to benefit greatly from this new program.

NOTES

1. The full text of the bill is available at www.house.gov/kanjorski/statlang.htm.
2. CDFI Fund, www.cdfifund.gov/programs/nmtc/.
3. For a summary of New Markets Tax Credit award recipients, see the CDFI Fund, "2002 Allocation Recipients," www.cdfifund.gov/docs/2003_nmtc_allocation_profiles_state.pdf.

in my Opportunity

New Federal Tax Credit Program Hits the Streets



Kennedy Lawson Smith

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Kennedy Lawson Smith is one of the nation's foremost experts on commercial district revitalization. After completing graduate school in architecture, she became the downtown manager in Charlottesville, Virginia, where her efforts to understand why people did—or didn't—shop in downtown Charlottesville led her to a retail-market-analysis methodology for older commercial districts. She is the director of the National Trust for Historic Preservation's National Main Street Center, where she has expanded the program to a network of almost 2,000 towns and cities and created a comprehensive set of resources for older and historic commercial districts. In 2002, Fast Company magazine named her one of its "Fast 50 Champions of Innovation."

One of the biggest federal community development programs since urban renewal hit the streets a earlier this year: The New Markets Tax Credit Program officially rolled out in March when the U.S. Department of the Treasury's Community Development Financial Institutions (CDFI) Fund announced the first organizations to receive credit allocations. Community development lenders in the Fourth Federal Reserve District received some of the largest allocations in the nation. If the communities you work with are involved in Main Street revitalization, this program will almost certainly affect them.

The Fourth District will be among the busiest in the Federal Reserve System: Nine entities in Ohio received allocations—out of only 66 in the nation receiving allocations—totaling \$313 million. It's clear the New Markets Tax Credits will be a significant small business development driver here in the next several years.

The New Markets Tax Credits Program is intended to attract new capital for business development in low-income communities. However, the program doesn't give any particular preference to investment in historic commercial districts.

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Pittsburgh's southside "Main Street."

Therefore, communities must stay alert to minimize the risk that older Main Street buildings will be demolished to make way for new, suburban-style structures.

Why does all of this matter to people involved in Main Street revitalization? Because many of the business development decisions made by investors and retailers in the next decade will be driven by the availability of New Markets Tax Credits. If a commercial district includes one or more census tracts that

meet the program's income criteria, it can use the credits to attract new businesses or to support existing ones. But, even if a district doesn't include any qualifying areas, it still will be affected because most new business investment is likely to take place somewhere else in or near the community where new development might displace sales from an older Main Street district.

So, what should you do?

First, learn more about how the program works. Information about the program can be found on the CDFI Fund's Web site, www.cdfifund.gov. You can also download an overview from the National Main Street Center's Web site, www.mainstreet.org, including information to help determine if all or part of a district qualifies.

Next, if your district qualifies, talk with community leaders to determine if they might like to participate. The easiest way to do so is for the district's revitalization program to create a revolving loan fund, apply for certification as a nonprofit community development entity from the CDFI Fund, then partner with a for-profit community development entity that has received an allocation of credits. The CDFI Fund's Web site lists all of the organizations that received first-round credit allocations.

Regardless of how Main Street districts decide to participate, please encourage them to participate. Ultimately, every dollar of credits used for downtown-friendly business development is a dollar of credits that won't be used for sprawl development or the demolition of historic buildings.



Let's make this massive new federal program one that will have a positive, lasting legacy for America's Main Streets.

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**We welcome your comments
and suggestions—send them to
daniel.holland@clev.frb.org.**

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of interest

Conferences and Workshops

Community Reinvestment Act Roundtables

The CRA Roundtables, offered by the Consumer Affairs and Community Affairs Offices of the Federal Reserve Bank of Cleveland, are interactive seminars designed to help financial institutions and nonprofit, community-based, and faith-based organizations understand the requirements of the Community Reinvestment Act.

January 30, 2004

Courtyard at the Navy
26 Main Street
Toledo, Ohio

For information, contact Maria J. Thompson at 216/579-2903 or maria.j.thompson@clev.frb.org.

March 5, 2004

Federal Reserve Bank of Cleveland, Pittsburgh Office
717 Grant Street
Pittsburgh, Pennsylvania

For information, contact Dan Holland at 412/261-7947 or daniel.holland@clev.frb.org

Financial Education Roundtables

In June, the Community Affairs Office held a series of public meetings throughout the Federal Reserve's Fourth District to discuss best practices for financial education programs. Summaries of the meetings, including analyses of strengths, weaknesses, opportunities, and threats, are available online at www.clevelandfed.org/CommAffairs.

2004 Community Reinvestment Conference

Sponsored by the Federal Reserve Bank of San Francisco, Office of Thrift Supervision, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, and the American Bankers Association, National Association of Affordable Housing Lenders, and National Community Capital Association.

March 29–31, 2004

Hollywood Renaissance Hotel
www.RenaissanceHollywood.com
Los Angeles, California

For information, contact Scott Turner at 415/974-2722 or scott.turner@sf.frb.org.

Reinventing America's Older Communities

January 14–16, 2004

Hyatt Regency Philadelphia at Penn's Landing, Philadelphia cosponsored by the Federal Reserve Bank of Philadelphia; the Brookings Institution, Washington DC; The Reinvestment Fund, Philadelphia; and Smart Growth America, Washington, DC.

Plan to join us for this two-and-a-half-day conference exploring the opportunities and obstacles to vibrant urban communities. Speakers from around the country will explain their solutions to a wide range of obstacles.

Please contact yvette.cooper@phil.frb.org for future updates and information.

Publications

CR Report: 2003 Environmental Assessment

The Community Affairs Office of the Federal Reserve Bank of Cleveland conducted an environmental assessment survey in early 2003 to better understand community reinvestment and economic development conditions in the region and to provide a road map for community economic development practitioners. Specifically, the survey addressed trends affecting access to capital and credit in low- and moderate-income communities in the Fourth District. View the report online at www.clevelandfed.org/CommAffairs/CR_Reports/CRreport2.pdf.

There's a Lot to Learn about Money

The Federal Reserve System offers consumer information and educational resources on the Fed's role in personal financial education, enforcing consumer protection laws, and how to file a consumer complaint.

For the latest information on the Cleveland Fed's Community Affairs events and publications, visit www.clevelandfed.org/CommAffairs.

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