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Stakeholder Experiences with New Markets Tax Credit Investments in Indian Country: Barriers and Potential Solutions

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Michou Kokodoko

Federal Reserve Bank of Minneapolis

Roberta Downing

*Federal Reserve Bank of Minneapolis
(formerly)*

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Stakeholder Experiences with New Markets Tax Credit Investments in Indian Country: Barriers and Potential Solutions

Michou Kokodoko
Project Director
Community Development and Engagement
Federal Reserve Bank of Minneapolis
michou.kokodoko@mpls.frb.org

Roberta Downing
Assistant Vice President
Community Development and Engagement
Federal Reserve Bank of Minneapolis
(formerly)

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Abstract

The New Markets Tax Credit (NMTC) Program was established by the U.S. Congress to attract private investment to low-income communities. In Indian Country, NMTCs are a vital tool for addressing barriers tribal nations face to generating revenue and capital for economic development. Previous research from the Center for Indian Country Development (CICD) has found that tribal entities' involvement in the NMTC Program remains low, despite increasing participation in recent years.

To shed light on the barriers to accessing NMTCs in Indian Country and potential solutions, we interviewed a sample of practitioners involved with NMTC projects in Indian Country. Practitioners described barriers to participation related to program rules, costs, and the competitive nature of the application and evaluation process. They also offered potential policy solutions, including a set-aside for tribal entities' participation and other program changes such as offering priority points to minority or Native Community Development Entities that apply for NMTC allocations. In some cases, interviewees expressed a variety of perspectives on both the potential merits and downsides of a given solution, and their range of viewpoints offers important considerations.

This paper shares key themes from these interviews which can inform initiatives to encourage Native participation in the program.

Introduction

The New Markets Tax Credit (NMTC) Program is a vital tool for bringing investment to Indian Country. The U.S. Congress established the program in 2000 to attract private investment to low-income communities. NMTCs can boost infrastructure and business investment in census tracts with high poverty

rates. In Indian Country, they're a tool for addressing barriers tribal nations face to generating revenue and capital for economic development, such as constraints on their taxation¹ and bonding² authority.

The program is administered by the Community Development Financial Institutions (CDFI) Fund at the U.S. Department of the Treasury. The CDFI Fund allocates tax credit authority. It determines the amount of investment that individuals or corporations can use as the base for determining the tax credits they are eligible to claim when they work with specialized intermediaries called Community Development Entities (CDEs). In turn, the CDEs apply for and obtain allocations and then offer the credits to investors in exchange for equity investments with the CDEs. The CDEs invest the capital they raise in qualified low-income community businesses, including anything from healthcare centers to new machinery for a factory.

Tribes and organizations that serve tribal interests can participate directly in the NMTC Program in a couple of ways:

1. They can apply to become certified as a CDE, seek NMTC allocation authority, and make loans to projects in NMTC Native Areas³, or
2. They can seek NMTC financing as a qualified low-income community business.

A recent Federal Reserve Bank of Minneapolis article⁴ highlights the extent to which NMTCs have been used to invest in Indian Country projects over nearly two decades, from 2001 through 2019. The authors find that the annual share of NMTC investments for tribal entities increased nearly fivefold between the first 10 years and the last nine years of the program, for a total investment of \$598 million. Despite this upward trend, the dollar amount of NMTC investments involving tribal entities is minimal compared to the \$61 billion (in 2019 dollars) spent on new investments for non-tribal projects. For every \$100 in NMTC investments involving non-tribal entities, only \$1 is being directed for investments with tribal entities, even though a disproportionately high share of census tracts eligible for NMTC investments are located in tribal areas. Further, tribal governments rarely participate in the program due to many barriers to accessing it.

To learn more about how to increase NMTC investments in Native communities, the Center for Indian Country Development (CICD) team at the Minneapolis Fed conducted interviews with representatives from a nongeneralizable sample of five CDEs (including two non-Native controlled CDEs), three investors, six tribes, and other key parties to NMTC projects in Indian Country. A total of 14 interviews were conducted with 19 individuals recommended by past CICD project partners. For each group interviewed, we used a structured list of interview questions and analyzed the interview summaries to identify themes and differences across participants. Their observations provide a practitioner-based

¹ "To tax or not to tax? That is the (thorny) question," Center for Indian Country Development, Federal Reserve Bank of Minneapolis, September 2021. <https://www.minneapolisfed.org/article/2021/to-tax-or-not-to-tax-that-is-the-thorny-question>

² "Separate but unequal: How tribes, unlike states, face major hurdles to access the most basic public finance tools," Brookings Institution, December 2021. <https://www.brookings.edu/blog/how-we-rise/2021/12/03/separate-but-unequal-how-tribes-unlike-states-face-major-hurdles-to-access-the-most-basic-public-finance-tools/>

³ The CDFI Fund collectively refers to Federal Indian Reservations, Off-Reservation Trust Lands, Hawaiian Home Lands, and Alaska Native Village Statistical Areas as NMTC Native Areas, as defined in "Our next step in serving Native communities through the NMTC Program," *CDFI Fund Impact Blog*, CDFI Fund, U.S. Department of the Treasury, July 11, 2022. https://www.cdfifund.gov/impact/96#_ftn1

⁴ "Take-up of New Markets Tax Credit increases in Indian Country, with potential for far more," Center for Indian Country Development, Federal Reserve Bank of Minneapolis, May 2022. https://www.minneapolisfed.org/article/2022/take-up-of-new-markets-tax-credit-program-increases-in-indian-country-with-potential-for-far-more#_ftn3

perspective on barriers to participation in the program and potential policy solutions to make the program work better for Indian Country.

Program barriers

Competitive nature of the application and evaluation process favors experienced CDEs to the detriment of emerging CDEs

Over the last 20 years, only two CDEs affiliated with a tribe or Alaska Native Village have worked with investors and tribal entities to create NMTC investments. In the interviews we conducted, many of the interviewees mentioned that the program is highly competitive, with many more applicants than NMTC allocations to award. Established CDEs with long track records are more likely than emerging CDEs to win an allocation from the CDFI Fund with the current criteria used to evaluate applications. Tribal entities compete against more experienced and better-resourced entities, such as large financial institutions.

One manager of a Native-owned bank reported, “The application writing process is intensive, requiring scores of hours for a first-time applicant especially. Our bank received some technical assistance from others with experience in writing applications. ... It is not [how] well the application can be written, but rather the work to position the CDE to be a strong scorer ahead of time.” This bank applied for NMTC allocations four times but was unsuccessful. In this way, the lack of a proven NMTC track record militates against entry to the NMTC Program.

Another Native CDE experienced similar challenges. The organization is a tribally chartered Native CDFI with \$60 million in net assets and a \$52 million lending portfolio. It applied four times for NMTC allocations but was unsuccessful. According to the president and CEO of the organization, there is this clear hurdle: “Even if you have projects in the pipeline but do not have the needed track record, you will not get an allocation. Can it not be possible to have emerging CDEs simply show a track record in deploying larger loan amounts?”

A managing director of another Native CDE added, “It does not seem like a fair playing field when other entities have more means for successful applications while tribal nations are still working to self-determine because, from a fiduciary perspective, they do not have the network of developers, people with a background in finance, [and others needed] to support the current application process.”

Because they assume they won’t get allocations from the CDFI Fund, several interviewees from Native organizations expressed that they are reluctant to invest the time and effort to develop a model for using the NMTC Program for economic development projects in their communities.

Program rules are complex, and compliance can be costly

The program’s application process often requires CDEs to pay for outside consultants, lawyers, and accountants. This can be costly and risky because there’s no guarantee an application will succeed. Successful CDEs also need to set up an investment infrastructure and monitor program compliance. Consultation and legal fees, added to the discounted price the investor pays for the right to claim the tax credit, can reduce the amount of capital left in the project by 35 to 50 percent after the seven-year compliance period.⁵ As a result, small, minority-led CDEs, including Native CDEs, might refrain from

⁵ *New Markets Tax Credit: The Credit Helps Fund a Variety of Projects in Low-Income Communities, but Could Be Simplified*, U.S. Government Accountability Office Report 10-334, January 2010, p. 21.
<https://www.gao.gov/products/gao-10-334>

applying for allocation authority or trying to find current allocatees willing to use their allocations for nontraditional uses.

The NMTC team at a non-Native CDE said that the legal bills for NMTC transactions add up very quickly, stating, “For a \$10 million simple structure deal, there will be \$200,000–\$250,000 in legal bills. And as the deals get more complex, the legal fees go higher from there. So if things blow up in the middle of a transaction, then everyone is wondering who is going to pay the legal fees.”

Given these kinds of complications, all parties involved have to vet these details early on. One representative of a tribal entity concurred: “The program was really confusing for us, and we had to convince our financial people about its benefits given all these complex legal inner workings.” He indicated that about 30 percent equity remained in one of their projects after the seven-year compliance period. “This is not the case with [the] Low-Income Housing Tax Credit (LIHTC), which brings 90 percent equity to a deal,” he added.

Another cost driver is that the CDFI Fund favors projects that have the potential to create jobs and stimulate local spending across industries, and demonstrating this can require costly analysis. A formal impact study providing evidence of expected outcomes can give a CDE an edge in securing NMTCs. This can be a rigorous, time-consuming process, and CDEs often hire third-party consultants.

One representative of a Native CDE described another important but resource-intensive application step: identifying a solid pipeline of projects to bolster the NMTC application. He stated: “You need to secure a strong pipeline of deals and a solid exit strategy for those deals at the end of the compliance period, which can make it difficult. There is a lot of information gathering, and at our tribal government level, this data is not inherently available within our databases and records. Our people are just trying to govern, and the idea of recording a piece of information every time you interact with somebody is not the focus of our tribal nations.” His organization contracted with a non-Native CDE whose primary purpose is to raise capital for housing and economic development in Indian Country, advocate for their clients, and provide educational, architectural, compliance, and asset-management services. The two organizations worked on the project’s pipeline. Other consultants with NMTC application writing success were engaged to review the final application draft thoroughly. This Native CDE applied four times for allocation authority and was successful only twice.

Investment incentives and perceived risks can disadvantage smaller projects

Projects that generate the most interest from CDEs and the best pricing from tax credit investors tend to have substantial potential impacts such as creating a large number of jobs or high-paying jobs, improving access to goods and services, and increasing foot traffic that can encourage future economic development projects. Lower population density in rural Native areas can mean smaller deal sizes, and a lack of supporting infrastructure can deter regional investors or lenders.⁶ CDEs and investors often use \$5 million as a minimum threshold because of the cost of these deals. From a borrower’s point of view, the fixed costs of doing a smaller deal of \$2 million or less are the same as those of a \$10 million transaction. However, with a \$10 million deal, the net benefit to the borrower is substantially higher and can offset those fixed costs.

⁶ Vincent J. Pascal and D. Stewart (in “The effects of location and economic cluster development on Native American entrepreneurship,” *The International Journal of Entrepreneurship and Innovation*, 2008, vol. 9, pp. 121–131) concluded in their study that reservations lack sufficiently dense concentrations of economic activity, or “economic clusters,” potentially making it preferable for entrepreneurs to locate somewhere with preexisting clusters. <https://www.semanticscholar.org/paper/The-Effects-of-Location-and-Economic-Cluster-on-Pascal-Stewart/a0ffe20a4491b3071249cdf91bf76fc034796381>

One bank executive whose bank has done at least three dozen deals in Indian Country observed, “If there is a way to find mechanisms to pool small deals so you can get to a scale or streamline the NMTC Program, so small deals make sense, more tribes could participate and benefit.”⁷

Partners often lack understanding of how to work within Indian Country and in ways that respect tribal sovereignty

Parties involved in structuring an NMTC deal in tribal areas often lack or have a limited understanding of how successful development deals in Indian Country get done, including how to best work within and respect tribal sovereignty. One banker acknowledged, “We are not experts, and each deal is unique to itself. We may be unfamiliar with the region or the tribe we are working with.” This banker described a boat dock finance as the best deal his bank has done in Indian Country, stating, “No one on the team really knew the [significance of] this boat dock. It was only after the insistence of the tribe and a site visit that we understood that it was actually a working commercial dock for a tribe where commercial fishing is key to local economic development.”

Another bank executive described other particulars that can emerge with tribal deals. She said, “Our bank generally starts with conversations around a sovereign immunity waiver. Parties involved need to get a better understanding of the necessity and the impact on tribes of having to sign sovereign immunity waivers.”

NMTC staff at a non-Native CDE suggested that for a smoother process, all the tribes could provide a limited waiver of sovereign immunity so that the contracts could be enforced in local or state government to incentivize private investment in these transactions. But the staff person also recognized, “That is a decision made by the tribal government, and some are not comfortable with that. The waiving of sovereign immunity is a hot topic for any tribal nation, but it is important to agree ahead of time on how disputes will be resolved.” In some instances, CDEs cannot get a waiver, and then financing falls through.

Lack of understanding of Indian Country can also affect access to credit in ways that limit tribes’ access to the NMTC Program. A CDFI Fund study found that lenders were often unwilling to extend credit in Indian Country because of “uncertain tribal commercial laws and regulations and the absence of an independent judiciary.”⁸

Additional challenges

Other challenges described by some interviewees included delays caused by additional approvals that can be required for Indian Country and challenges associated with tribes’ lack of collateral.

One bank manager said his team is accustomed to being patient with NMTC deals, but that deals in Indian Country take even longer. He stated, “A third of the deals we have done in Indian Country involved outside additional approvals—for example, from the Bureau of Indian Affairs or U.S. Department of Agriculture—and that has been really hitting us. At the local or national offices of these agencies, some staffers are more conversant and accepting of NMTC, and others are predisposed against NMTC. There can therefore be a challenge to get them engaged and above the learning curve. The entire process often

⁷ Beginning with the 2012 NMTC Program allocation round, the CDFI Fund added preferential scoring for six different innovative investments, including deals under \$2 million. That may have given official sanctioning to what makes a small deal.

⁸ *The Report of the Native American Lending Study*, CDFI Fund, U.S. Department of the Treasury, November 2001. https://www.cdfifund.gov/sites/cdfi/files/documents/2001_nacta_lending_study.pdf

takes months, and it is unsettling because all the other partners have a lot of sweat equity invested in the project, and then they are sitting on pins and needles waiting for the deal to go forward. Getting those agencies more comfortable with NMTC would be helpful.”

According to representatives of a non-Native CDE that sets aside 30 percent of its allocations for Native communities, the most significant hurdle they face is a lack of collateral. In a NMTC structure, banks are “happy to invest about 25 percent of the total cost, leaving the borrower to monetize the rest of the deal using debt.” In most deals this organization has done, the debt comes from the tribe’s general fund. They said, “The tribe is lending 75 percent of the money to themselves, the borrower. Seldom do you see an outside investor make a loan into a New Markets transaction on Native land due to a lack of collateral. The tribes realize this is a great source of matching funds for them. It makes sense for them, but those are the wealthier tribes. It is not so much the case with smaller tribes that may not have sufficient general funds to front 75 percent of the total project cost.” The staff of this non-Native CDE once made such a loan with a small tribe after securing alternative collateral from a state program that provides collateral other than the real estate itself. They concluded, “It would be very difficult for a bank to lend on a reservation without alternative collateral.”

Potential policy solutions

Given the competitiveness and complexity of the NMTC Program, our interviewees discussed possible policy solutions to address barriers to access in Indian Country. For any given solution, opinions differed on the potential benefits and costs. In some cases, solutions offered by some of our interviewees raised concerns among others. These varied perspectives raise important considerations that can be taken into account in efforts to reduce barriers and support greater Native participation in the program. Following are descriptions of four potential solutions and associated considerations offered by our interviewees.

Create an allocation set-aside for tribal entities

Considering the value of NMTCs deployed throughout the country and the program’s potential for significantly increasing economic growth in Indian Country, all of our interviewees conveyed that steps must be taken to ensure that tribal communities and tribally focused CDEs receive a greater share of these valuable tax credits. They expressed that a set-aside for tribal entities would help ensure that Native CDEs (including Native CDFIs) receive NMTC allocations commensurate with the tremendous need for economic development in Indian Country.

One Native CDE manager observed, “A set-aside for Native CDEs lends credibility to tribal leadership and the tribal council as opposed to regional lenders. A tribal CDE has on their advisory board first Americans. They understand the importance of culture within the first American community.”

Another Native CDE representative conveying support for this type of set-aside said, “We have studied 12 states that have set-asides for tribal investments in housing. We have found that when a state has a set-aside specifically for tribes, they have much better outcomes than investments where they give points. If we want NMTCs to be used more for minority groups or tribal CDEs, then set-asides are the way to go.”

Interviewees also described considerations that should be factored in exploring a set-aside. One bank executive expressed the importance of having guardrails in place to prevent groups outside of the intended audience from taking advantage of a set-aside. “If there was an add-on for Native communities, the market will follow the trend, and by the nature of it, everyone will learn. You will have a good number of groups that do not have the needed experience get their hands on the allocation, and a set-aside for Native communities will not guarantee that more Native-led organizations will get an allocation.”

Another banker noted that a set-aside would need to come with resources to support the administrative and compliance expectations associated with an allocation. And even with that type of programmatic support, CDEs would still need help developing competitive applications. “You cannot expect a set-aside alone to be super successful because it could have unintended consequences in their deployment. From a programmatic standpoint, there should be resources for CDEs as a carveout. You have to make sure that the groups have the resources to be successful.”

Change the NMTC Program into a federal grant program instead of a tax credit program⁹

Some interviewees suggested changing the NMTC Program into a federal grant program, although there were a variety of perspectives on whether this would reduce barriers or create additional challenges. Those recommending that it be changed to a federal grant program argued that doing so would provide for a more familiar process and help ensure that the federal subsidy remains.

Concerns about maintaining the subsidy relate to the risk of credits selling at lower value or being diminished by other costs. The U.S. Government Accountability Office has found that even when demand for NMTCs was highest, the credits sold for \$0.75 to \$0.80 per dollar.¹⁰ In other words, the federal subsidy intended to assist low-income businesses was reduced by 20 percent to 25 percent before any funds were made available to CDEs. And with low demand for tax credits, the credits will sell even lower, with added fees further reducing the amount of federal subsidy available to CDEs for investment in low-income businesses.

One tribal representative interviewed observed, “We are not getting shortchanged by an investor when we apply for grants. There are a lot of people picking pieces off NMTCs, which just takes money away from the end user. If this was a grant program, we [would] not have so many costs. There are a lot of companies making a lot of money off this program.”

This same tribal representative also noted that tribes already know how to apply for grants. He stated: “Tribes have been doing it for years, applying for grants through the Bureau of Indian Affairs and the Native American Housing Assistance and Self-Determination Act.”

A director of a tribal project financed through the NMTC Program expressed a similar sentiment that tribes are experienced with grants. She said: “Tribes are comfortable and accustomed to grants. Grants are less scary than the current program. Most tribes have the capacity internally to [manage] grants. The more you can move it to grant funding, you would see an immediate increase in success.”

The same interviewee noted that changing the program to a grant program would also avoid some of the upfront application costs. For their NMTC project, she said the attorneys’ fees were challenging to swallow and could be a turnoff for other tribes. She added, “If we could change that process, that would speak volumes to tribes. Paying up-front fees does not provide any guarantee. It is a big risk to take hundreds of hours from your general counsel and in-house attorney, and the project to not come to fruition. That is difficult.”

⁹ Congress has turned to grant programs in other cases where tax credits had formerly been used. For example, under Section 1602 of the American Recovery and Reinvestment Tax Act of 2009, Congress offered the option of allowing state housing finance agencies (HFAs) to exchange LIHTCs for federal grants to subsidize low-income rental housing.

¹⁰ *Tax Expenditures: Background and Evaluation Criteria and Questions*, U.S. Government Accountability Office Report 13-167SP, January 2013, p. 24. <https://www.gao.gov/products/gao-13-167sp>

There are important caveats and considerations with weighing the merits of turning the NMTC Program into a grant program, however. Some interviewees noted what they see as considerable advantages of involving the private sector and conveyed that changing the NMTC Program into a federal grant program could have unintended consequences for additional investments in NMTC projects. One banker argued that doing so would prevent investors from participating in the deal. He then asked, “How will the grant program make up for the loss of capital that comes in from additional investment or debt?”

Another banker expressing benefits of having private sector involvement in deal selection stated, “The NMTC process is not always pretty and can be expensive with all the accountants, attorneys, and bankers like myself that need to be paid. And this erodes the amount of subsidy that goes into the project. At the same time, private sector involvement ensures that resources are put towards projects that [need] it. As bankers, we are trained as risk evaluators and risk managers. We do not always get it right, but we collectively think about project feasibility and performance in the marketplace. Therefore, leaving out the private sector could introduce some politics and bureaucracy.”

The staff of a non-Native CDE also suggested that a grant program would be less effective because the tax credit format requires a rigorous analysis of the proposed project. In their opinion, the tax credit format is socially responsible. “There is a lot of business assessment that occurs when we close our transactions, and you are reasonably assured that this business is going to succeed.” They suggested that turning the NMTC Program into a grant program would transform it into a politicized allocation tool, not an economic development finance tool. They said, “Many businesses are created legitimately from their use of the NMTCs. There is accountability that occurs with the tax credit program.”

An executive of a non-Native CDE also said it was not a good idea to change the program into a grant program because the market-based process to select projects has some benefits. “Do direct expenditures create more impact than tax expenditures? That is above my pay grade. However, I do not think that a grant program would work better than a tax credit program.”

Another bank executive agreed that the purpose of the NMTC Program is to bring in the private sector with an underwriting lens, stating, “You lose that by turning NMTCs into a grant program. In addition, a lot of grant programs get ended really quickly because some level of fraud occurs, and then there is no program. That is why our bank comes into this space with a feeling of responsibility for improving and maintaining the program.” She argued that it is difficult to predict the type of deals an organization with allocation authority would actually make. The pipeline does not always match actual deals closed by the CDE. It would be challenging to design a grant program around the current structure, she said, suggesting that the CDFI Fund exercise more structure in how CDEs select deals to fund and adopt within the legal structure and with racial equity in mind. She observed that 60 percent of her bank’s allocations are going to communities of color.

A couple of interviewees offered compromise solutions. One banker said, “If I could be king for a day, I would quadruple the NMTC Program and create a companion grant program as well.”

A representative of a Native-owned bank offered a similar idea: “There could be a grant component, like how the USDA Community Facilities [Programs have] direct loans or guarantees but also [allocate] grants into projects. This would be a supplemental grant fund for hopeful NMTC projects to apply for. The CDFI Fund could also offer to cover a portion of the CDE fees to be collected by minority or Native CDEs. Every CDE has their own fees, and assuming the fees amount to 4 percent of total project cost, the CDFI Fund would offer a 2 percent fee subsidy so it can be passed to the project and deliver a lot more benefits.”

One Native CDE manager expressed that he'd like the NMTC Program to operate like the State Small Business Credit Initiative (SSBCI) but acknowledged that finding the right structure to address economic development needs in tribal areas is challenging. He said, "I would prefer NMTCs to be like SSBCI, an application-based allocation. If a tribal nation chooses to apply, they have it to utilize. If they do not use it, it will be reallocated, just like SSBCI will be. The primary purpose for the grant will be to support small businesses, including minority-owned businesses. A set-aside could just be determined as they did with SSBCI." But economically distressed tribes could still face barriers in accessing and navigating such a program, and he noted that pursuing a solution would not be easy.

Finally, rather than suggesting a change of the NMTC Program into a federal grant program, one tribal representative suggested getting the Bureau of Indian Affairs loan guarantee structure to work in conjunction with the NMTC Program. He said, "It is the biggest, grandest solution possible because that is the number one fail point. The Bureau of Indian Affairs should focus on trying to come up with some structure that puts the two programs together."

Offer priority points to minority or Native CDEs that apply for NMTC allocations

Currently, the CDFI Fund encourages NMTC applicants to pursue innovative investments, which include investment in Native communities. However, an applicant's choice to pursue this type of investment is not used to determine whether the applicant scores highly enough to receive consideration for an NMTC allocation. Instead, this is considered in a later phase and affects the size of the applicant's NMTC allocation.

Some interviewees recommended assigning priority points for investment in Native communities in Phase 1 of allocation application reviews, but like the suggestion to convert the program into a federal grant program, this idea also brought divergent views. Interviewees with concerns about the application scoring and review process expressed that they did not think this would be a good solution.

Direct the CDFI Fund to explore options for providing minority CDEs additional workshops on applying for and using NMTC allocations

Some interviewees recommended exploring options for providing minority CDEs with additional workshops on applying for and using NMTC allocations—such as a minimum of two workshops per year. Such workshops could provide opportunities for peer learning and ongoing engagement among participating CDEs. These interviewees expressed that the additional training would be helpful, even as they acknowledged that workshops alone do not guarantee that a minority CDE will receive an allocation given the independent and competitive nature of the allocation approval process.

One bank executive suggested convening potential applicants with stakeholders who already work on NMTC projects in Indian Country. "Bringing in others and making them aware that this is a viable source of deals and that there are available partnership opportunities would be a plus," he stated.

Another banker concurred that training should be accessible but wondered how organizations with no allocation authority would be trained. She said, "The NMTC 101 training is already available on the market. A lot of groups outsource the administrative part of managing the NMTC Program because of that uncertainty. If the minority CDEs are already able to identify and deploy capital effectively in underserved communities, dealing with the NMTC is not going to be so different, and that is not the reason why they are not getting allocation authority. It is a question of track record and how points are scored."

Not all interviewees felt that providing additional workshops for minority CDEs was the right priority, however. One representative of a non-Native CDE said, “Is spending taxpayer dollars on capacity-building a good use of resources as opposed to addressing other problems with the NMTC Program?” His perspective was that CDEs serving Indian Country often do not lack capacity, even as he acknowledged that some benefit from the workshops.

Conclusion

This report captures frontline observations about barriers that limit Indian Country’s participation in the NMTC Program and stakeholders’ perspectives on policy solutions. Insights from CICD’s interviews should inform efforts to support greater program participation in Indian Country.

Recently, the CDFI Fund launched a NMTC Native Initiative to encourage participation in the program by Native-owned and controlled entities and promote more significant investment in NMTC Native Areas. In April 2022, the CDFI Fund announced its selection of a contractor to conduct the work of the NMTC Native Initiative.¹¹ Big Water Consulting LLC is charged with producing a survey of historic NMTC lending practices in NMTC Native Areas, creating a self-assessment guide for use by Native-owned or controlled entities, and conducting technical workshops for such entities.

Such efforts seek to learn from prior investments in NMTC Native Areas, inform best practices for future investments, and equip and assist existing and potential Native CDEs and borrowers with tools to use the program successfully.

The CDFI Fund expects that the results of the consultant findings, along with a self-assessment guide and training materials, will spur growth or increased interest in NMTC investing in Indian Country. How much impact this effort will have on investments in Indian Country remains to be seen, but insights from CICD’s interviews are offered to inform that process.

¹¹ “CDFI Fund selects contractor for the New Markets Tax Credit Program Native Initiative,” CDFI Fund, U.S. Department of the Treasury, April 18, 2022. <https://bit.ly/3lfyim4>