



April 10, 2023

Shannon McKay  
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1500 Pennsylvania Avenue NW  
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**RE: Public Comment – Proposed Changes to the New Markets Tax Credit (NMTC) Transaction Level Report (TLR)**

The African American Alliance of CDFI CEOs (the Alliance) is pleased to submit comments regarding proposed changes to the New Markets Tax Credit Program (NMTC Program) Transaction Level Report (TLR). The Alliance is a membership-driven intermediary organization that aims to: build the capacity of member organizations; build bridges to economic stability, well-being, and wealth for Black individuals, families, and communities; and build power in Black communities by challenging and influencing financial sectors to operate more equitably. Since launching in 2018, the Alliance has established a network of 72 CEOs of Black-led Community Development Financial Institutions (CDFIs), which includes loan funds, credit unions, and venture capital funds. Alliance members reach historically underserved communities in all 50 states by providing financial services in the small business, affordable housing, and commercial real estate development sectors.

In the almost quarter century since its establishment under the Community Renewal Tax Relief Act of 2000, the NMTC program has successfully revitalized some of the most economically vulnerable and underserved low-income urban and rural communities in the U.S. However, as the NMTC Program investments continue to evolve, so should the reporting and compliance requirements of Community Development Entities (CDEs) that receive NMTC allocations. For these reasons, the Alliance is pleased with CDFI Fund efforts to increase transparency and ensure better outcomes for the communities targeted by the program – specifically, as it relates to reporting on data points regarding fees and transaction costs as well as reporting on community outcomes.

- a. Revision of data points on fees and transaction costs to provide comprehensive reporting and alignment with the QALICB Fee Disclosure Form and NMTC Allocation Application**

Investments in low-income community businesses under the NMTC Program are directly impacted by, among other factors, fees, retentions, and interest rates. Each of these factors reduce the amount of tax subsidized equity investment that is available to low-income community businesses, but it is often difficult to accurately determine the extent to which the net benefit of an NMTC-financed project are impacted by such costs, fees, etc. The Alliance believes that the proposed changes to the *Fees and Transaction Costs* data point will give the CDFI Fund an opportunity to evaluate the net financial benefit of a particular NMTC investment more effectively on low-income community businesses, which will allow for the identification of improvements aimed at maximizing program impact.

**b. Revision of data points (new and revised) on community outcome measures which will be used to evaluate prior Allocatee performance during the competitive Application process, align with the information collected in the Allocation Application**

The proposed changes to the NMTC Program TLR require CDEs to report on certain *Community Outcomes* data points, related to job creation and retention, quality of jobs, financing of minority-owned or controlled businesses, and environmental outcomes, including:

- a. Projected Full-Time Equivalent (FTE) Jobs to Be Created or Retained at Businesses Financed (new data point);
- b. Actual Full-Time Equivalent (FTE) Jobs Created or Retained at Businesses Financed (new data point);
- c. Job Quality Measures (new data point);
- d. Identify Accessible Jobs Measure (new data point);
- e. Number of Accessible Jobs (new data point);
- f. Type of Business Loan (new data point);
- g. Minority-Owned or Controlled Businesses (revised data point);
- h. Native American-Owned or Controlled Businesses (new data point);
- i. Number of People Served by Commercial Goods or Services (new data point);
- j. Number of People Served by Community Goods or Services (new data point);
- k. Number of Households Served by Infrastructure Services (new data point);
- l. Identify Environmental Restoration and/or Sustainability Outcome Measure (new data point); and
- m. Quantify Environmental Restoration and/or Sustainability Outcome (new data point).

The Alliance commends the CDFI Fund as it continues to improve the NMTC Program through the development of reporting and data collection processes that increase investment in persistently poor and underserved communities while also highlighting the importance of giving opportunities to historically marginalized groups. Specifically, we are encouraged by the requirement that CDEs report whether the investee/borrower is at least 51 percent owned or controlled by one or more individuals that identify themselves as Black or African American, Asian American, or Hispanic or Latino. Previously, this was a data point that was conditionally required for investees considered businesses. Though we appreciate the intent of the proposed

change, we urge the CDFI Fund to consider the burden of converting formerly conditional fields to mandatory fields and institute a grace period for CDEs to comply with the new requirement. We are also encouraged by the requirement that CDEs report whether the investee/borrower is at least 51 percent owned or controlled by one or more individuals who are members of Tribal entities recognized by the Bureau of Indian Affairs (BIA) or by individuals having origins in any of the original peoples of Hawaii. These changes, alone, will not necessarily increase the number of minority- or Native American-owned or controlled businesses benefiting from an NMTC investment, but it will give policymakers a look into the inclusivity of the program and pave the way for further program improvements.

Finally, the proposed changes to measure NMTC investments impact on financing for energy conservation, renewable energy generation, land or water area restoration or conservation, brownfield clean-up, forestry, fisheries, etc. is a step in the right direction, especially considering the Biden-Harris Administration's commitment to and unprecedented investment in green energy opportunities for low-income and disadvantaged communities. Through the Greenhouse Gas Reduction Fund (GGRF) and other programs, low-income and disadvantaged communities are poised to have access to green energy alternatives that have long been out of reach. The environmental restoration/sustainability outcome measure aligns well with those objectives and should be prioritized in the NMTC Program.

Taken together, the information made possible by the proposed changes is particularly useful to membership organizations, like the Alliance, as it promotes transparency and provides for an evaluation of the NMTC Program through an equity lens. On behalf of the African American Alliance of CDFI CEOs, we thank you for the opportunity to provide recommendations on the NMTC Program TLR and we ask the CDFI Fund to consider our comments as it strives to expand economic opportunities for historically underserved communities around the U.S.

Sincerely,

A handwritten signature in black ink, appearing to read "Lenwood V. Long, Sr.", written in a cursive style.

Lenwood V. Long, Sr., President and CEO  
African American Alliance of CDFI CEOs