

Summary of New Markets Tax Credit Financing for the Child Development Center

Congress established the New Markets Tax Credit (“NMTC”) program as part of the Community Renewal Tax Relief Act of 2000 to encourage investors to make investments in low-income communities that traditionally lack access to capital. The program is administered by the Community Development Financial Institutions Fund (“CDFI Fund”) which awards between \$3.5 billion and \$5 billion in tax credits each year to about 100 “Community Development Entities” (each a “CDE”).

Every NMTC financing requires (1) an investor to purchase the tax credits, (2) a CDE to provide the tax credits, (3) a “Leverage Lender” to provide funding for approximately 75% of the cost of a project, and (4) a “Qualified Active Low Income Community Business” (“QALICB”) to be the borrower and to make the “Qualified Low Income Community Investment” (“QLICI”) such as construct a project or run a business.

The construction of the Child Development Center of the Desert Community College District is using NMTC financing. The investor is US Bancorp Community Development Corporation (tax credit equity of \$5,669,850); the CDEs are Border Communities Capital Corporation and California Statewide Communities Development Corporation (total of \$18,500,000 of tax credits); the Leverage Lender, DCCD, is making a leverage loan of \$13,300,150; and the QALICB, the Desert College Financing Corp., will reimburse DCCD for its costs to construct the CDC. Funding of the construction of the CDC is a QLICI because the CDC is in a Low-Income Census Tract and provides substantial benefits to the community (primarily construction jobs, day care for employees’ children and affordable education to residents).

The structure of the NMTC financing is complex, primarily because of tax considerations. At closing the Investor and Leverage Lender deposit their funds into a special purpose entity (a “SPE”) owned by the Investor; the Investor uses all of its funds to make an equity investment in (by purchasing 99.99% of the membership interests of a subsidiary of the CDE); the subsidiary CDE loans all or almost all of the funds to the QALICB. The QALICB uses all of the funds to pay fees, fund reserves, and reimburse DCCD for the costs to construct the CDC. Over the course of the 7 year “compliance period,” interest is paid by the QALICB to the subsidiary CDE and ultimately to the Leverage Lender. At the expiration of the 7-year compliance period, the Investor no longer has an interest in continuing the NMTC structure, and the parties “wind up” the structure.

The end result is a grant (which does not get repaid) to DCCD for approximately 20% of the cost of the CDC project. A diagram of the CDC NMTC financing is attached for your reference.

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Indio Child Development Center - Project Description

The Child Development Center at College of the Desert's Indio Center now in construction is south of the existing instruction facilities. The project adds 18,169 gross square feet (gsf) building and approximately 7,000 sf of associated play yards. The new building will accommodate 32 toddlers in two classrooms (16 children each) and 48 preschool age children in two additional preschool classrooms (24 children each), observation, office and support spaces. Site improvements include undergrounding of existing overhead utilities, demolition of existing structures and construction of new parking.

- In Construction
- Design Professional: HMC Architects
- Funding Source: Measure CC
- Project Size: 18,169 gsf
- Project Address: 45742 Oasis St., Indio, CA
- Purchase Price of Property: \$774,071
- Purchase Date: 2019
- Total Project Budget: \$26,185,000
- Planned Completion: Fall 2023

Projected # of Full Time Equivalent construction jobs associated with the Project: 150.

Projected # new jobs: 8 full time and up to 22 part time including students.

At least 80% of students enrolling children in childcare are expected to qualify as low-income. 85% of enrolled children are expected to be children of COD students.

COD is dedicated to providing a wide array of comprehensive support services for its students, staff, and for those families and children who will participate in programming at the new Indio CDC. When families enroll their child at the CDC, they will complete a questionnaire that assesses family needs in a number of categories, including housing, food, rental assistance, healthcare, and transportation. Through local partnerships, COD expects to provide families with access to health services, ESL/language services, mental health services, inclusion services, an on-site food pantry, and other supportive services

Oct. 26, 2023 for DCFC Meeting Nov. 1, 2023