

Important Benefits of SB 817

- ***The basic purpose of SB 817 (the "Tax Credit") is to leverage a modest investment of State funding to spur significant private job creation and rehabilitation in underserved communities.***
 - ***The Credit lowers the risk of business borrowing.*** Partial support by the State means that banks have to loan less, which is critical in the current economy.
 - ***Projects get a "multiplier effect" from the State's investment.*** The Tax Credit can "piggy-back" on the Federal New Markets Tax Credit Program, which is also only available for projects in underserved communities.
 - ***Investors must make a long-term commitment to invest in business development.*** To claim the credit in any one year, the investor has to commit funds for seven years.
- ***SB 817 does not reduce current State revenues or require direct State cash outlays.***
 - ***The Tax Credit has no revenue effect for the first two years.***
 - ***Only a portion of the total credit is taken in each of years 3 through 7.***
- ***Tax Credits are an extremely flexible tool to help support and encourage business and job growth.***
 - ***Community Banks can use the State program to increase lending to small businesses.***
 - ***The State Credit can benefit smaller projects that don't have access to the Federal program.***
 - ***The Credit can be used for business operating loans, business expansion, commercial rehabilitation, and other business purposes.***
- ***The risk of the State supporting a failed project is low.*** The Credit can't be used for businesses or projects that aren't able to support themselves over the long term, because the proposal still must satisfy commercial lenders and private investors.

- ***Tax Credit-funded business growth will increase government revenues over time.***
 - The State's income tax revenue increases immediately through increased wages of local employees and businesses.
 - Local property taxes and business tax revenues increase over time as property values rise and new jobs are created.
- ***The Credits cannot be used solely for construction of rental housing.***
- ***Community Development Entities are required to show benefits to low-income communities.***
 - The State Credit requires annual reporting on job creation, wages and other critical benefits, allowing the program to be modified for maximum effectiveness.
 - Only Federally-designated Community Development Entities can receive Oregon State Tax Credits.
 - Community Development Entities must compete for allocations of Federal Tax Credits
 - A primary criterion for Federal Tax Credit allocation is a demonstrated benefit to designated underserved and low-income communities.
 - Community Development Entities work hard to ensure that proposed projects provide measurable, verifiable community benefits such as job creation, services to the community, environmental benefits and the like.



SB 817 – Low-Income Community Investment Initiative

What it is:

The Low-Income Community Investment Initiative provides an indirect subsidy to businesses, which lowers the cost of financing business development in low-income regions of Oregon. Banks and investors that provide capital for projects in qualified low-income areas receive State tax credits over seven years equal to 39 percent of the investment amount. The capital must stay invested in the low-income area for seven years. The investor cannot begin using the credit for two years after its investment, and then receives credits totaling 39 percent of the investment over the next five years. No project can receive more than \$3 million in capital under this Initiative (equaling \$1.7 million in tax credits over seven years). Under the current proposal, the total amount of investment that can receive credits under the Initiative is capped at \$16 million.

What it does:

The basic purpose of SB 817 is to leverage a modest investment of State funding to spur significant private job creation and rehabilitation in underserved communities.

- The Initiative lowers the risk of business borrowing: partial support by the State means that banks can make smaller direct loans, which is critical in the current economy.
- The Initiative does not require a State revenue adjustment for two years after a qualifying investment and will not require a direct State cash outlay.
- Unlike the Federal program, SB 187 can be used to support direct loans by community banks to smaller businesses.
- The “multiplier effect” on the State’s investment is increased: the Tax Credit “piggy-backs” on the Federal New Markets Tax Credit Program.
- The Initiative provides an extremely flexible tool to help support and encourage business and job growth: Capital can be used to leverage funding for almost any type of business.
- Increased investment from the Initiative will increase State and local revenues over time.
- Qualifying projects must demonstrate job creation.
- A significant portion of the Initiative is reserved for businesses in renewable energy industries.

Who Benefits:

Any business located in a qualified low-income area anywhere in the state of Oregon is eligible to receive funding through this Initiative. Capital can be used for almost any business purpose other than development of residential rental housing (and certain other prohibited enterprises such as massage parlors).

Project Example

Vanport Square, 5225 NE Martin Luther King Jr. Blvd., Portland, OR 97211: Full block in NE Portland – abandoned, unusable warehouse and half-block vacant lot. Highly distressed: Federal Renewal Community; SBA Hub Zone; City URA; 24% poverty rate; unemployment almost two times the national average.

Project Design:

- Development of 40,000 square foot commercial mixed-use “business condominiums” with full parking. Project allows local small businesses to purchase business condominiums rather than leasing. Spreads economic benefit of project, promotes long term, stable, community-oriented job growth.
- Office, retail and restaurant.
- Focus on creating central business core within Albina neighborhood.

Value of Credits:

- Provided over \$2 million to fill gap necessary to move project forward.
- \$5 million PDC loan conditioned on successful NMTC financing.
- Developer required to satisfy PDC commercial loan underwriting criteria.
- Local small businesses able to purchase commercial condominiums at below-market rates and terms.
- Concentrated mix of uses and business types on core NE Portland corridor.
- Attraction of well-paying jobs to distressed neighborhood.
- Rehabilitation of abandoned site on major neighborhood thoroughfare.
- Estimated economic impact over 10 years of \$97.3 million (IMPLAN).
- State of Oregon fiscal impact estimated to exceed \$3 million over 10 years.
- Net positive Federal Fiscal Impact: +\$3.8 million (Just under \$3.4 million in tax revenue foregone over 7 years; approximately \$7.2 million in additional federal taxes generated.)

Finance Details:

- Project Cost: \$8.7 million.
- NMTC-related transaction costs: Approx. \$200,000.
- NMTC-related compliance costs (Audit; Federal Compliance; Legal): From 0.5% to 1% per year.
- Tax credit syndication fees and expenses: 3%.

Parties:

- Tax Credit Investor: Wells Fargo Bank Community Development Corp.
- Primary Lender: Portland Development Commission.
- Tax Credit Provider (Community Development Entity): Portland Family of Funds.
- Developer: Vanport Partners, LLC – M/W owned business