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Michigan Scores Well with Recent New Markets Tax Credit Allocations Announcements

In some positive news for economic development in Michigan, the state scored very well in the recent round of allocation awards for the New Markets Tax Credit (NMTC) Program announced by the U.S. Department of Treasury. Michigan is included in the target area for NMTC allocation awards of \$1.2 billion, which means Michigan is tied in first place nationally in terms of potential for allocation awards. There is a significant opportunity to expand the use of the NMTC Program to bring needed investment to Michigan projects.

The NMTC Program encourages the investment of private capital in designated urban and rural low-income communities, allowing investors to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). The CDEs in turn invest the capital raised into real estate and business ventures located in low-income communities. A large number of census tracts across Michigan qualify as low-income communities. The credit provided to the investor totals 39% of the investment made and is claimed over a seven-year period.

This Program can offer a critical source of "gap" financing for a wide range of eligible projects and can be a flexible and valuable tool. NMTCs can provide much needed equity for projects and can be structured to include interest only loans and below market rate loans. Projects in Michigan have included commercial office space, retail developments, renewable energy projects, film production studios, charter schools and business incubators.

With the allocation awards recently announced, now is the time to open dialogue with investors, lenders and CDEs about the availability of NMTCs for potential projects. Allocations were awarded to national banks and investment funds as well as locally to the Invest Detroit CDE.

NMTC financings can be complex, and the assistance of an experienced team is critical. Honigman has been active in providing legal services in connection with the NMTC Program since the Program's inception, and our firm closed the state's first NMTC transaction in 2004 as part of the TechTown development. Since then, our firm has represented numerous developers across Michigan in successfully closing NMTC transactions. Some of the highly acclaimed projects our firm has assisted with include the Argonaut Building campus of the College for Creative Studies, a biomass electrical generation project by Verso Paper in the Upper Peninsula and the business innovation center at the M@dison Building.

Honigman brings a multi-disciplinary approach and is highly experienced in combining the NMTC benefits with other federal, state and local economic development incentives so as to maximize the benefit to the client and the project. Please contact us if you would like to discuss whether your project may be a good candidate for the NMTC Program.